Y4.EC7:C44/7

94-2

94th Congress
2d Session } JOINT COMMITTEE PRINT

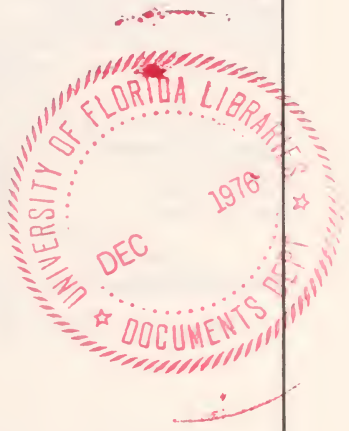
CHINA AND THE CHINESE

A COMPENDIUM OF PAPERS

SUBMITTED TO THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

NOVEMBER 19, 1976



Printed for the use of the Joint Economic Committee

U.S. GOVERNMENT PRINTING OFFICE
73-696 O WASHINGTON : 1976

For sale by the Superintendent of Documents, U.S. Government Printing Office
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LETTERS OF TRANSMITTAL

NOVEMBER 16, 1976.

To the Members of the Joint Economic Committee:

Transmitted herewith for use of the Joint Economic Committee is a collection of papers and reports on the economy of the People's Republic of China. Last summer the Committee released one of its periodic compendia entitled "China: A Reassessment of the Economy." Subsequently we began work on a volume of commentary dealing with the broader implications of Chinese economic development. With the death of Mao, this subject assumes even greater significance and we have therefore decided to publish it at this time.

The volume contains an appraisal of Chinese economic development and resource factors by Dr. George Doyle of Assumption College. It also contains recent articles by four other scholars each of whom provide an individual and useful perspective on the economy of China: Colin Clark of Australia, Kazuma Egashira of Japan, and Kang Chao and John K. Fairbank of the United States. In addition the volume reprints a report to the Joint Economic Committee by John R. Stark, Executive Director, who visited China this summer as a member of the first Congressional staff delegation to visit China.

The views expressed in these papers are those of the authors and are not necessarily those of the Members of the Joint Economic Committee or the views of the Committee staff.

Sincerely,

HUBERT H. HUMPHREY,
Chairman,
Joint Economic Committee.

NOVEMBER 12, 1976.

Hon. HUBERT H. HUMPHREY,
Chairman, Joint Economic Committee,
U.S. Congress, Washington, D.C.

DEAR MR. CHAIRMAN: Transmitted herewith is a compendium of papers entitled "China and the Chinese"; these reflect varying interpretations of economic prospects for China.

Professor George Doyle of Assumption College prepared for the Committee an interpretive essay on Chinese development focusing on the Chinese or Maoist perspective of development. Recent articles by economists from various parts of the world and with differing perspectives have been added to provide different points of view to our readers: Colin Clark (Australia), Kazuma Egashira (Japan), Kang Chao (United States), and John K. Fairbank (United States). All are noted specialists and each has written recently on Chinese development. Professors Colin Clark and Kang Chao are at Monash University

and the University of Wisconsin, respectively. Mr. Egashira is Chief of the Asian News Section of the Mainichi Newspapers in Tokyo. Professor Fairbank is an eminent American scholar and is the Francis Lee Higginson Professor of History at Harvard.

Also enclosed is my brief report of the recent Congressional staff delegation's trip to the People's Republic of China from July 25 to August 10, 1976. We who made the journey are indebted to Ms. J. Carol Berris, Program Director, National Committee of U.S.-China Relations, who arranged our trip with great competence and thoughtfulness.

My trip report represents, as does each of the other enclosures, the personal views of the authors. No United States organization, committee of the Congress or individual subcommittee is necessarily represented by the views presented.

Sincerely yours,

John R. Stark,
Executive Director,
Joint Economic Committee.

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CHINA AFTER MAO

By John R. Stark

In midsummer 1976, one of the most serious physical disasters hit China in the form of earthquakes of unprecedented intensity. Later in the summer, one of the more momentous events in China's long history occurred; the passing away of Mao Tse Tung. The People's Republic of China may soon recover and adjust to the earthquakes. The accommodation to the loss of Mao will be longer and more uncertain. This uncertainty will especially effect the economic policy of China.

Having gone through the Great Leap Forward and the Cultural Revolution under Mao with their attendant disruption of the economy, the economy of China presents cloudy prospects for the future. In his essay, Dr. Doyle sees the prospects for constructive Maoist continuity in a very positive light from the standpoint of Chinese leadership perception and the rationality of economic development decisions. Others see the prospects in quite a different light. Professor Kang Chao states:

> To sum up, the experiences of the Chinese economy after the Cultural Revolution proves that the system "works." But it works better in some sectors than in others. Unfortunately, the sector in which it works least satisfactorily happens to be the most crucial sector for the whole economy. Until the Chinese government can successfully solve the problems in agricultural production the economy will remain vulnerable (p. 91).

Likewise, Professor Clark is critical of past management and decisions.

Kazuma Egashira finds the Maoist form of socialism distinctly Chinese rather than a Soviet copy, and provides an interesting insight into the unique aspects of economic policymaking in China. Each of these assessments may assist the reader to better understand the transition period after Mao and anticipate the future course of Chinese economic policy and performance.

The recent article "On the Death of Mao" by Prof. John K. Fairbank adds historical and political perspective to the volume. He helps us in his balanced assessment by alerting us to danger in our current western assessments on the passing of Mao. He also opens our minds to the need for time and information to make at best tentative judgments on the implications of change.

My own report is intended to serve a more limited purpose. A trip to China offers unique experiences which cannot always be anticipated by the visitor. In particular, it is difficult in the course of one trip to develop the kind of penetrating insights into national problems and trends that policy analysts want to find. One has to settle for a multitude of impressions, observations, and surmises—some of them conflicting. With that in mind, I have tried to set forth some of my impressions, along with a list of people and places visited and a diary of daily events and impressions. Hopefully, this will be of interest and help to those who plan to visit China in the course of their studies.

CHINA, THE CHINESE, AND THE TRUE LEAP FORWARD: THE CHINESE PERSPECTIVE, WITH IMPLICATIONS FOR UNITED STATES' FOREIGN POLICY

By George A. Doyle*

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Preface

There is a great experiment in nation-building going on in China today. This paper presents a report on the progress of that experiment and the opinion that what is happening there at this stage in the experiment appears to be good for China and can be good for ourselves. The latter good, however, will only develop if we Americans arrive at a new realization concerning our relationship with China.

More than four years have elapsed since the seating of the People's Republic of China in the United Nations as the sole legitimate government of China. The emergence of the PRC as an increasingly influential component of the larger international system has been due in no small measure to its participation as one of the select Big Five in the world body. The UN has also been of great value to the PRC in expanding its diplomatic relations, serving as a training ground for its foreign service personnel, affording a vehicle for cultivating its mystique, disseminating propaganda, checking international moods and trends, and especially in providing an institutional framework in which China can participate on the world stage as a major actor.[1]

* Professor, Assumption College, Worcester, Mass.

[1] William R. Feeney, "The PRC and the United Nations, 1971–75," Current Scene, February, 1976, p. 1.

For a century we looked upon China as a backward, unhealthy, vice-ridden place, unworthy of anything save our charity and our missionaries. Next we began to look upon China as an enemy, a totalitarian Communist enemy. Now, today, we find we have to pull away the old screens through which we have been looking and try to see China as it really is. And it is a much more complicated task than we have heretofore realized.

Never in history has there been one nation with 800 million people. Never has there been an attempt to create a modern industrialized society of such enormous size. It is surely the question of questions for the world and ourselves—where is China going? Will it be an expansive power or a peaceful power? We cannot see the future clearly and so we are uncertain.

The Chinese know they are sacrificing in order to build that future. They will tell you they are giving themselves today to the cause of developing China tomorrow. This is the time for sacrifice and work, work, work—not the time for personal satisfaction. We have known such times also.

> What the communists found facing them when they came to power were centuries of economic neglect and thousands of years of a unique and almost unchanging culture. To scale the formidable mountain of economic retardation required not only policy but faith. To overcome cultural immobility, called for an upheaval in the superstructure, a constant churning of ideas or, as Mao saw it, a permanent cultural revolution.[2]

The ensuing paper gathers knowledge gleaned from many of our China scholars and for the most part opens but does not make the choice of avenues of decision-making related to this information. Take, for example, our opening of friendly contacts with China in 1972. One aspect which has not been brought home to our people is that this made possible an entirely new relationship between China and Japan and opened the unique possible alignment: Washington-Tokyo-Peking. The triangular interrelationship is presented as one of the implications for U.S. policy in Part IV.

This paper, however, is not a policy paper, as such. Rather, it is an attempt to distill our knowledge about China today in a small enough context as to be digestible, yet meaningful, and provide a basis for decision-making by virtue of having conveyed a useful picture of the course of events. The author has taken all the articles contributed to the Joint Economic Committee of the Congress for the 1975 volume "China: A Reassessment of the Economy" and digested them. To these he has added the works of other important scholars and current sources of information about China, and his own understanding of events gleaned from two years of work and study among Chinese teachers, students, and professors.

Part I of the paper is brazenly entitled "Fundamentals for a New View of the Situation in China." The Great Experiment in China is in the nature of putting a new face on socialist economic development. The paper takes a favorable view toward that development program in the sense that it benefits the people and will achieve the goal of having China "in the front rank of nations" by the year 2000.

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[2] Jan S. Prybyla, "The Political Economy of Communist China," Scranton: International Textbook Co., 1970, p. 569.

There is something else needs be recognized. I might not dare bring it up but for the fact that our truly great China scholar, John King Fairbank, says it: ". . . Americans can expect from the Chinese roughly the degree and kind of response that we provoke. We, not they, have been the most expansive power of recent times." [3] Now, I do not mention this to encourage an outbreak of self-flagellation, but to emphasize the need for a new view.

Having studied American relations with China for many years and published reviews of these relations many times, Professor Fairbank concluded:

> Is it possible that we did not really understand what we were dealing with?
> This, I think, will be the verdict of history. The old ways no longer serve, the old ideas have lost their efficacy. To coexist and survive, we have to seek a new understanding both of Asian realities and of our own aggressiveness.[4]

Both before and after writing this paper, I read the report of a trip to China by Senator Humphrey. It is quite nicely done, and hits all the important points. I cite it to draw attention to the need urged both herein and in the Senator's article for more education and more knowledge concerning China:

> Despite its huge population and vast size, how little we in the United States know of this country. Almost nothing is taught in our schools about ancient or modern China.
> From 1949 to 1972, the United States had no diplomatic or commercial relationships with this country. In other words, we had cut out of our thinking, our economic and political decisions, an area of the world considerably larger than the United States, with a population of some 800 million people.
> China to most Americans during this period was Taiwan, Formosa, and Chiang Kai-shek. Thus, we have much to learn and it is importnat that we learn it quickly.[5]

Part II deals with the economic model Mao Tse-tung had developed for putting China into the front rank of nations by the end of this century. His model rejects the route taken by the USSR under Stalin. Agriculture is at the base of this model and industry is being brought to the countryside.

Part III relates several things to each other. There is the matter of availability of important resources for strategic as well as industrial purposes. What is the defense posture and the economic capability to support this posture? Trade and international finance are discussed next, and the role of China in the Third World. Lastly, the matter of American trade with China is included.

Part IV deals with the implications for U.S. policy. In order to deal with such a subject completely, all the resources of the United States Government would be needed. If new Hearings were to be called at this time, these resources could be galvanized into action for the purpose of laying the foundations for new relationships between the United States and China.

China today always appears in flux. When Mao passes from the scene it may be more so. The pages which follow do not weigh all views on this flux. Rather, the attempt has been made to select, out of the maze, those events which represent the trends, those which are the "leading indicators" of the trends, and so present a narrative leading along the road to future developments. In this sense the paper is unidimensional.

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[3] John K. Fairbank, "The United States and China," 3d. ed., Cambridge, Mass., Harvard University Press, 1971, p. 418.
[4] *Ibid.*, p. 422.
[5] His report was published in Minnesota Agriculture, January 23, 1975. The quote is from page 1.

Perforce, many things have been left out, many judgments made which may be questioned. The author simply asserts that seeing the Chinese perspective is a necessary part of analyzing our own position. He hopes this approach serves to stimulate and bring together people more knowledgable on Chinese affairs for the purpose of developing the best possible foreign policy toward China during the coming years, which he describes as The True Leap Forward.

Part I. Fundamentals for a New View of the Situation in China

The Chinese version of Socialist nation-building is one of the most significant of contemporary events. Through this means and under the guidance of Mao Tse-tung, the world's most populous state, the world's most long-lasting society has awakened from centuries of despair, has stood on two legs, and has become a world power to be acknowledged and reckoned with. It is an outburst of energy such as has only distant and obscure parallels, for the Chinese are indeed unique. One thing is clear, though, and that is that they are on their way forward, and this is a challenge we must face.

> Whatever the primary and secondary forces are in Chinese development, it has become clearer in each successive economic assessment that the PRC economy has attained a firmer base for claims of meeting not only domestic but the major international goals of the leadership.[6]

The aim of this essay is to convey a sense of appreciation of this Chinese accomplishment, not to cultivate fear of another great power, but that we may understand the nature of China today. To formulate this sense of appreciation we have to free ourselves from our older framework of reference concerning "Communism." We are not now looking at a Soviet Union of the Far East; we are not seeing a carbon copy of a Russian model of economic progress. China has rejected the Soviet model and the Russians as well.

There is one thing we must see clearly without any shadow of doubt: This is a Chinese form of a Socialist State. Quick judgments, putting old name-tags on developments, categorizing and classifying according to Western pre-conceptions, especially Cold-War pre-conceptions, will not help at all.

When one lives among and works with and for the Chinese, one comes to realize that countless thousands of years of evolution on the other side of the world has produced human beings who *are* fundamentally different from Westerners. They are not just additional customers for American business who will snap up our goods once our advertising men have "educated" them to the great worth of imitating American consumption.[7]

Chinese value bases are different. Their approach to thought processes is unique, their responses to problems and even to mere questions is unlike our own. From the long-run point of view we need to determine how in the face of all this we shall nevertheless henceforth evolve together. That way alone lies the possibility of peace.

---

[6] Dr. John P. Hardt, in the summary to "China: A Reassessment of the Economy," Joint Economic Committee of the Congress, July 10, 1975, p. 17.

[7] Our businessmen go to the fairs in Canton. Are their ears tuned in to Chinese voices around them? Do they hear the word "kwailo" (the Cantonese word for foreign devil) and do they know the disdain with which the Chinese look upon mere merchants? Or do they think that hospitality has made all things right?

Thus, the goal set by China's top leadership that there shall be a Great Socialist State by the year 2000 must be understood in its broad outlines as a vast human endeavor that will be new in construct and distinctly Chinese in nature. When one has close association with the Chinese, it is clear that this will be the aim; there is in fact no other acceptable. Products may be copied, machines imitated, but the Chinese are determined to avoid what they consider the vulgar forms of Marxist-Leninist practices of other Communist parties.

All other empires of the world in history have come and gone. China has survived intact as a nation, and it is still with us. China will be more than ever with us for the long-term future. We have long neglected the need to learn about the Chinese. Consequently we have made some mistakes in recent decades; we continue to make them; we must stop making them for our own future welfare.

Having viewed China as "another Communist enemy" we have failed to appreciate something else. Never in history has anyone taken on the tasks undertaken by Mao Tse-tung. There are 800 million people in China today—all are fed well and all are clothed and at work. The enormity of the accomplishment is overwhelming. Why, an increase in the daily intake of rice per person in China by a single ounce would be a quantity equal to the output of whole other nations! (People's Daily compared Japan this way.)

Feeding and clothing a nation of 800 million, after years of war and civil war, of degradation, corruption, and disorganization, gives evidence that there must now be in China intelligent, dedicated leadership at the top; willingness to cooperate, work and sacrifice throughout the system and down to the very bottom layer; and above all—that China is now whole. Mao has given it unity, stability, security, progress—a sense of the Common Good not recently matched. The troubles of the Great Leap Forward and the disorder of the Cultural Revolution seem only steps along the way to his goals.

Many centuries ago China was developing and progressing economically while Europe was not. The progress stagnated however because of the plenitude of manpower for use as a nearly complete production function and because of lack of knowledge of the principles of operation of a whole economic system. Today, however, that knowledge is present, as are nation-wide determination and all the elements which are needed to build a modern industrial economy.

As the further development of this vast latent economic power takes place, it behooves us to see the import it will have upon the world. Already China has stepped into the position of being the strongest power in the Third World. It seeks to inspire the countries of the Third World to free themselves from external control and to revolutionize their economies and their position among nations. Will we fail to see the future significance of this or will we instead recall that we were once a "Third World" country with the same antipathy to imperialism and the same aspirations?

Economic power and military power enable a nation to exert its influence upon the course of world events. But moral credibility adds a multiplier effect to military-economic power. China's Mao Tse-tung

has striven to achieve just that combination. China's military-economic capability was perhaps risked as he launched a Cultural Revolution to preserve what he considered to be moral credibility in his cadres. Westerners thought the course a great risk; yet it turned out that Mao simply knew the Chinese better than anyone else—whether inside or outside China. Professor Fairbank has recently put it this way:

> No people have ever effected greater changes in their society and policy than the Chinese people since 1949. To say that these enormous changes have been achieved by China's new spirit of mass nationalism is an understatement because the Western term "nationalism" was invented in Europe to designate political subunits within the over-all unity of Western civilization.
>
> It is quite inadequate to describe the comprehensive amalgam of people, territory, language, history, institutions, art and thought that has been coterminus with China's civilization and now animates her people in a common life together.
>
> As so many American visitors to China have been discovering, we are dealing there with something beyond our own experience and comprehension. The unity of the Chinese world-within-a-world is like a religious faith. Woe to the man or party that endangers it! [8]

If we will look at this Chinese Event with new eyes, when we are finished we will be better able to judge what our own position is and what we must do.

The 1975 Constitution—Blueprint for the Post-Mao Chinese System

In January, 1975, the Fourth National People's Congress met in Peking to vote on a new Constitution. Mao did not attend this Congress. He was receiving foreign visitors in warmer climes—it was too cold in Peking for the old man—and Vice Premier Teng Hsiao-p'ing was with him. Furthermore, he could avoid any squabbles and sit back in judgment upon the finished product. He knew what he wanted; he knew what he would get from the Congress in terms of its theme:

"Marxism-Leninism-Mao Tsetung Thought is the theoretical basis guiding the thinking of our nation" (Article 2).

The Constitution was not generated by the Congress. The Party Central Committee had met January 8–10 to outline the work of the Congress. They had earlier prepared a "Draft Revised Text of the Constitution" and a "Report on the Revision of the Constitution." These were presented to the Congress for pro forma ratification.[9]

When, in 1954, the First Constitution was adopted, China was only five years removed from the victory over the Nationalists. Socialism was new and uncertain. By 1975 however many things had been resolved. Chang Chun-Chiao, Secretary-General of the Party, and new Second Deputy Premier, delivered a report to the First Session of the 1975 Congress, saying:

> . . . as tremendous changes have taken place in China's politics, economy, and culture and in international relations since 1954, some parts of the Constitution are no longer suitable. In the present version of the Constitution our main task is to sum up our new experience, consolidate our new victories, and express the common desire of the people of our country . . . . [10]

---

[8] Prof. John K. Fairbank, "After Mao and Chou: Analyzing the Chinese Succession Problem," The New York Times, November 24, 1975, p. 35.

[9] January 17, 1975.

[10] Chang's report was contained in "The Constitution of the People's Republic of China," Peking, Foreign Languages Press, 1975, p. 48.

The Preamble exulted that imperialism, feudalism, and "bureaucrat-capitalism" had been overthrown, that socialism had begun, and that socialist society will be with us for a considerably long period of history.

The principles of operation of the new society are revealed to us in Article 9:

"He who does not work, neither shall he eat."

And again,

"From each according to his ability, to each according to his work."

The first is a traditional Chinese expectation from life, the second a traditional Socialist principle of distribution.

Citizens, according to Article 27, enjoy the rights to work and to education. "Working people" are entitled to assistance in case of illness, disability and old age. Women and men have equal rights. Those who have reached the age of 18 may vote and stand for election.

Only two kinds of ownership are now permitted, socialist (by the whole people) and collective (by working people). Capitalist ownership, protected by the 1954 Constitution, is not mentioned in the new Constitution.

A certain amount of low-level private economic activity is permitted.[11] In cities and towns non-agricultural laborers are allowed individual work if it does not involve "exploitation of others" (Article 5). And on the Communes, members may farm small plots for their own needs, keep some livestock, and engage in household production (Article 7).

In rural Communes, ownership of the means of production is described as having three levels:

The Commune.
The Production Brigade.
The Production Team.

At the bottom, the Production Teams form the base and are the basic accounting units. The Constitution refers to the Commune level as the point at which government administration and management are integrated. Fixing the Production Team as the basic unit is in line with the continuation of both socialist and collective ownership of property. The Brigade seems now to be in a coordinating position, while the Teams will make the decisions vital to implementation of national plans.

Let us now turn to the Structure of the State (Chapter 2 of the Constitution): The outline which follows is compiled from the articles of the document:

FIGURE 1. *The Structure of The State*

Leadership of the Communist Party of China

The National People's Congress
- Approves:
  - The National Economic Plan
  - The State Budget
  - The final State Accounts (Article 17)
- A Standing Committee is its permanent organ.

[11] In the USSR, Kolkhoz markets are operated by members of collective farms on a private basis for private gain. This concept appears to be acceptable to the Chinese also.

The State Council
- Composition:
  - The Premier
  - Vice-Premiers
  - The Ministers
  - Ministers heading Commissions
- Drafts and implements:
  - The National Economic Plan
  - The State Budget (Article 20)
- Directs State administrative affairs: responsible to the Standing Committee of the NPC

Local People's Congress
- Types:
  - LPC of provinces and municipalities
  - LPC of prefectures, cities, and counties
  - LPC of rural people's communes and towns
- Lead:
  - Socialist revolution
  - Socialist construction (Article 22)
- Examine and approve:
  - Local economic plans
  - Budgets
  - Final accounts (Article 23)
- Local Revolutionary Committees are the permanent organs of the Congresses.

Notes: (1) Control by the Party has been made explicit for the first time. (2) The position of Chairman, held by Mao, has been abolished. Henceforth there will be collective leadership.

Just why is the 1975 Constitution of importance? To insure the launching of the vital 1976–80 plan and legalize its control. Whereas the 1954 document was compromising as to the ownership of the means of production, that of 1975 is clear. There will be no mixture of capitalist and socialist modes. There will be a Socialist State with the Communist Party in control. Not however, in the Stalin pattern. This Chinese State works for and not against its own people.[12] All cadres must keep in constant touch with the work of masses and peasants. All must continue to learn from them, not dictate to them, and they must learn by doing.

This Constitution is Mao's conveyance as he approaches the end of his life's work. A look backward at the First Constitution will be worth while at this point:

Coming to victory and power in 1949, Mao faced the realization that foreign aid could only come from Moscow. The USSR had defeated Hitler Germany and, though suffering perhaps twenty million casualties, had the strongest army on the Eurasian continent. The power and achievements of Russian Socialism had to be respected; it seemed to be the model to follow. And for a while it was.

In 1950 Mao found himself drawn into the War in Korea, and this sapped resources for three years. Nevertheless by 1953 the First Five-Year Plan was launched. Solid, legal footing was felt necessary for the government and was obtained in the First Constitution the next year. Then, in mid-1955 the First Five-Year Plan was ratified.

Before the end of the First Plan, Mao had observed the 1956 uprisings in Hungary and Poland and his public admiration for the Soviet model began to decline. He lost the support which had kept him as head of state and left that office in December 1958 prior to the collapse

[12] Article 28 guarantees freedom to strike.

of the Great Leap Forward. Liu Shao-ch'i replaced Mao officially as Chairman of the PRC in Arpil, 1959 (and served until the Cultural Revolution). As to the significance for Mao's program:[13]

His prestige, according to foreign commentators, was shaken badly enough by the disaster of the Great Leap Forward. But much of the infrastructure which Mao would need at a later date to put his economic plans into effect remained fairly intact, especially in the countryside, despite the calamitous years from 1959 to 1962. At any rate, Mao Tse-tung had learned a great deal between 1949 and 1955 about the kind of policies China needed, and a great deal more between 1956 and 1958 about how these could be translated into solid political programmes.

What is not yet perfectly clear is whether Mao is satisfied that these latest programs of the Constitution and the Congress will be in the hands of leaders who are imbued with "Mao Tse-tung thought" and are untainted either by "Russian revisionism" or the "Capitalist road."

The 4th Congress and the Year 2000

The Fourth National People's Congress was significant for many reasons. The adoption of the new Constitution was one of them. But other noteworthy elements must be added: More economic information was forthcoming than had been released in many years; important personages suddenly appeared once more in high posts; and goals for the future were set out before the delegates.

Premier Chou En-lai revealed that Mao had, in 1965, the year prior to his launching the Cultural Revolution, issued a two-fold directive ordering priority be accorded to achieving: (1) "an independent and relatively comprehensive industrial and economic system . . . before 1980." (2) In addition, between 1980 and the year 2000 another set of goals was to have priority: ". . . modernization of agriculture, industry, national defense, science, and technology." The State Council, Chou announced, is to draw up the necessary plans in terms of 10 years, 5 years, and 1 year. All units of the economy, from the top governmental echelons to the bottom-level farms and factories, are to work toward these goals through their own short-term, medium term and long-term planning, and so achieve the national goals.

Emphasizing that the first ten years after the Congress would be the most important to eventual fulfillment of the year 2000 goal, the Premier drew attention to the accomplishments in the ten years since the Third National People's Congress: there had been good harvests each of those years and agricultural output was 51% higher than in 1964; the Third Five-Year Plan had been overfulfilled and the Fourth will have been successfully fulfilled by its completion in 1975.[14]

Additional comparisons of 1974 with 1964 were as follows:

	Percent		*Percent*
Industrial output up	190	Chemical fertilizer	330
Steel	120	Tractors	520
Coal	91	Cotton yarn	85
Petroleum	650	Chemical fibers	330
Electric power	200		

. . . At the same time prices had been kept stable and the government had been able to stay out of debt.

[13] Leo Goodstadt, "Mao Tse-tung, The Search For Plenty," Hong Kong, Longman Ltd., 1972, p. 21.
[14] Peking Review, January 24, 1975, pp. 21-23.

Drawing attention to longer-term achievements (the first 25 years) Chou En-lai pointed out:

	Percent
Population had grown	60
Grain output by	140
Cotton production by	470

The most important political event in China, said Chou, had been the Cultural Revolution, for it destroyed the approaches epitomized by Liu Shao-chi and Lin Piao. Both these men had been tried out by Mao as his possible successor and each had failed. The first typified the planner who developed bureaucracy and hence required the education and employment of an elite group. The second was associated with the tough approach of the Russian Communist Party, and leanings toward "capitalist" methods. One can see now that Mao's Red Guards were "purifying" the economic system and its units of those who represented these lines of thought.

Lin Piao was then linked with Confucius and both were vilified together. This campaign continues as a further deepening of the Cultural Revolution according to Chou En-lai. The linking of Confucius with current events draws attention to the need to wipe out: traditional ways, emphasis upon the clan (rather than society as a whole), justifying the ruler and his needs, and feudal class distinctions (which continue as capitalist class distinctions).

American scholars, in particular those who have contributed to the volumes on China published by the Joint Economic Committee of the Congress, have had an extremely difficult task in making an assessment of the economic development of China in the period covered by Chou in his speech. Only tiny pieces of information have been released since the one summary document "Ten Great Years," the official publication dealing with the years following the Victory by Mao's army over the Nationalists. Even the existence of individual ministries has at times been a bit of a mystery; trying to piece together the organization which controlled the economy has been a jig-saw puzzle with many parts missing.

Some basic things can be said nevertheless. Any economic society must generate a surplus which can be invested in the further expansion of the system.[15] The usual pattern has been to develop agriculture to the point where its surplus makes possible the development of the industrial sector. The process is accelerated of course if it is possible to borrow capital from outside the system. American entrepreneurs, for example, borrowed heavily from British investors. Entrepreneurs, in turn would pay submarginal wages and invest their profits in further expansion of plant and equipment.

In the Socialist model, it is the State which guides the process and invests the surplus created by the workers. The USSR emphasized heavy industry, following this pattern, but it neglected agriculture—in fact it may be said to have waged war against its own peasants.

China is not pursuing either the Russian Soviet model or the American entrepreneurial model. It is emphasizing both agriculture and industry, making it different from the USSR. It is determined that the Party control the process of growth, making it different from the

[15] Consult Carl Riskin's article, "Workers' Incentives in Chinese Industry," JEC, "China: A Reassessment," 1975, p. 202, for a discussion relating low wages, legitimacy, and the "surplus" in China.

United States. There are elements of both those systems in what China is doing for the simple reason that whereas economic systems are national in nature, economic elements are universal.

We can see now the import of certain parts of the new Constitution. It is evident that sub-marginal wages have been paid, for wage levels have not risen during most of the period described by Chou and yet obviously there has been a tremendous increase in output and productivity.[16] There have been slow-downs and occasional violence in industrial cities and so on the recommendation of Mao the Constitution recognizes the right to strike. As for the farming population (80 percent of the people) their economic autonomy is supported in terms of collective ownership and private plots.

As an overall assessment of the Fourth Congress, it may be said that it marks a turning point historically. In the first 25 years of the People's Republic of China the ages-old grinding poverty of the Chinese has been overcome; in the next 25 years China is determined to be in the front rank of nations.[17] The Congress set forth the legality of the Party, the Government, and the principles which shall characterize the true leap forward.

The Chairman of the Joint Economic Committee of the Congress, Senator Hubert Humphrey, in writing his report of his trip to China, had this to say: [18]

> So the Chinese political structure once again is back in shape. . . .
> Will the new Chinese leadership continue in the tradition of Mao?
> When we put the question to our Chinese hosts, they told us that the system would continue, that it is not based upon a man but on a set of principles, that the Maoist precepts are deeply imbedded in the mentality, spirit and life of the Chinese people, and that the new leadership would go on as Chairman Mao would wish.

"We Chinese . . ."

One cannot describe a cathedral by merely counting the stones in the building. And one cannot adequately describe the essence of what is taking place in China solely by counting tons, bushels and barrels. There is an electrifying air and spirit which must be given first place in an assessment of the economic process in China. The expression "We Chinese" precedes the answer to most queries, whether the subject is art, history, eating, working, or whatever. This is not something brand new, but what is new is that Mao Tse-tung has known how to tap this spirit and turn it to a sense of commonalty in building a contemporary economic society.

Principles of social justice have been know in Chinese philosophy for centuries but not practiced by landlords or warlords. The people know these principles and finally have a government which exhorts them to practice social justice, to expose anyone who does not give them social justice, and which will remove from office those so exposed. All cadres, furthermore, must put in their time at the most menial of peasant and factory work assignments. They must learn at first hand, and repeatedly, how it feels to be down there, even if that feeling is one of humiliation and confinement.

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[16] In the recent "Study Lenin" campaign the party has criticized demands for wage increases which used increased productivity as a justification.

[17] Compare the assessment by Arthur Ashbrook, "China: Economic Overview, 1975," JEC, "China: A Reassessment of The Economy," 1975, p. 41.

[18] In "Minnesota Agriculture," January 23, 1975, p. 5.

What is the nature of the connection between yesterday and today, between old Chinese values and life today? It lies in their being put into practice. Of course they are not yet practiced everywhere. There are endless complaints, and "big character posters" are prominent in the cities. But this is part of the spreading of the *ta-tung*, principles of harmony.

Wen-shun Chi has brought to our attention the principles and their applicability in China today.[19]

(1) "The world is open for all," i.e., society should not be ruled by one clan alone. The traditional Chinese approach has been to take care of one's family before all else; this is part of the change introduced by Mao Tse-tung, i.e., to break down the over-riding emphasis on clan.

(2) People should work for the good of society rather than their individual good. Also the wealth they create rightly belongs to the whole people. Chinese will admit to you that they have not in the past had a proper sense of the common good.

(3) All are taken care of when they cannot work. The affection for children is very noticeable; and the care for the elderly admirable. All are part of the family. So much is traditional. Now it is to be extended to a *public* responsibility.

(4) Mutual assistance should characterize human relationships. The press is filled with complaints of stealing, embezzling, using of influence, and other "bourgeois" practices, but for the purpose of emphasizing that these things must stop.

As Party documents constantly point out, Socialism has begun in China and the long-term goal is Communist Society. The *ta-tung* ideals are quite similar to both the eventual goals and contemporary programs, while coming out of traditional philosophy. The next interesting question is: how do these ideas get across to 800 million people? The schools, of course, teaching the ideology.

The Chinese speak different dialects, but they write the same language. Hence the printed word in their newspapers is a vital means of communication. Mao has seen this, has used it, and has transformed it. (And loudspeakers are everywhere.)

A Chinese newspaper is a means of education of the people, but there is also a means for the people to educate their leaders. Just as any cadre must do, the journalists of China must put in their time learning to be peasants or workers or students. There are also large numbers of volunteer journalists, who do not write for pay.

Of course, the chief purpose of the newspaper is to promote the building of a Socialist society. To our eyes, these papers are filled with propaganda and the communications from volunteers seem quite naive. But we must not be misled by our own frame of reference. What we are observing is a communication in two directions, and in the process a unity is being forged. Official answers are expected; official action is expected. Official thought is conveyed.

An underdeveloped country must cultivate a strong bond with its people if it is to rise out of its poverty. China has done so; as James C.Y. Chu has put it:

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[19] Wen-shun Chi, "New Economic Ideas and their Traditional Sources," Current Scene, May-June 1975, pp. 1–13.

By making the journalist a cadre, the Chinese leadership is able to control the press directly and efficiently. By placing great emphasis on the mass line, they are able to disseminate Party policies at the grassroots level and bring the 800 million of China's population into some contact with the central government. Under this system, information and opinion travel directly from a single authority to the public for consumption. The people have either this official information and opinion or none at all.[20]

But . . . and there is a very large "But." It is vital at this juncture not to make the mistake of restricting our thinking and making of the Chinese a nation of robots. Already this line has been taken for example in a television broadcast of a "Special" on the trip of President Ford to Peking in December 1975. The very beginning of that nation-wide broadcast introduced us to this view, saying "900 million people marching in the same line." This view is the start of something dangerous.

The traditional, mistaken American view that all Chinese "look alike" may be reinforced by the equally mistaken opinion that all Chinese think alike. They are good and faithful to their families, they are respectful of authority, they do want education and will work at it diligently—but why should anyone think that makes people robots!

Spend not a week, but two years in the midst of Chinese and you will be amazed at the infinite variety of the faces—they are fascinating. Listen to them—they are all making themselves heard. The noise is often deafening (and historic travelers have always observed this).

What we have in China is 800 million working toward common Chinese goals, not "marching in the same line." Of course, among those goals is the military security of China. The leaders openly proclaim this, and as openly say that they do not count on lasting peace and therefore prepare. Very well, let us do the same, but let us not become riddled with fear at the same time.

There is something else which must be said before leaving the subject. Neither China, nor Mao himself, came to the present state of development or of thought via straight lines. There have been severe problems, there have been many vagaries of fortune and fate in the first twenty-five years. Weather cannot be counted on to be constant, nor rivers to hold to their courses, and harvests therefore have been uncertain. Economic growth has not charted a smooth path.

One type of plan may work for a while, one type of ministerial structure may or may not fit. People in charge and people at work are not always diligent, honest, and intelligent. Historically, China has experienced every kind of public policy error, and in recent years more have been experienced.

Mao came to the state of thought expressed in the 1975 Constitution, and in the 1974 Party Congress which preceded it, after many years of trial and error. There have been political struggles, disagreements, personal and Party contests, economic experiments (some worked, some did not).

It may seem to the reader that this section is far removed from the reality of Chinese policy, and so a few more words need to be said by

[20] "The PRC Journalist as a Cadre", Current Scene, November 1975, p. 16.

way of clarification. Mao Tse-tung has written of the ta-tung, in his "On the People's Democratic Dictatorship" and he equates the state of Great Harmony with the future Communist stage of history.

The difference between himself and other leaders appears to be over the question of the relationship of class struggle to ta-tung. In Mao's eyes, class struggle continues throughout the entire period of Socialism in human history. In every situation, in every policy decision, and in every attempt to carry out a policy, there are elements of the old capitalist order present and there are cadres who are still permeated with one or other of these elements. These have to be constantly resisted.

Any prominent leader must walk a narrow line. He must avoid being a "capitalist roader" on one hand. And he must avoid the Russian "revisionism" on the other. Any one who makes these mistakes must be exposed and rehabilitated—at least he is not executed. The struggle is not in the nature of a shooting feud, it is a matter expressed in a slogan, t'ui-ch'en-ch'u-hsin, weeding through the old to bring forth the new.

Understanding What We Have Wrought

The technological creativity of the Chinese people has deep historical roots, and slumbered for a while mostly for practical considerations. As it slowly reawakens, we may expect it to astonish us.[21]

The foreign policy of any nation is made on the basis of whatever framework of reference is available to its leaders. It is to be hoped that our framework can be newly informed and the policy thereby enlightened. That cannot be done without our acquiring a new outlook on the Chinese of the past. Current understanding of the Chinese past is beclouded by a kind of incense smoke which must be cleared away.

When the West encountered China in the nineteenth century, two important things began to happen. For China it was the beginning of the way out of an economic trap. For the West it was the beginning of a shameful series of imperialist exercises. We in the United States have regrettably now stepped into most imperialist shoes. But there is yet time to undo all that.

We must start by realizing that China had not been a backward, undeveloped, uneducated, unenlightened place. Rather, it had, a thousand years ago, been advancing in knowledge and progressing economically considerably far beyond anything happening in the West. China fell into a stagnant economic trap in more recent centuries and it was there that we found it in the nineteenth century.

It is common knowledge that the current Chinese leadership is deeply interested in the history of the nation. A great deal of archaeological exploration has been going on, and it is given wide publicity. This is part of the spirit of China today: to reveal and be proud of the heritage that is theirs.

Part of that history which is well worth our knowing is the medieval centuries, that is, the ninth to thriteenth centuries. A great expansion of the population took place and a great filling out of China to the

[21] Mark Elvin, "The Pattern of the Chinese Past", London, Bulter & Tanner Ltd., 1973, p. 319. Prof. Elvin, of Oxford University, has done great work in putting this book together; its findings deserve wide dissemination.

South. It was accompanied by revolutions in agriculture, transportation, the monetary and credit system, the size of the market, and the urbanization of the Chinese people. Science, medicine, and technology, all advanced along with the vast surge and movement of the population. Yet that entire force eventually spent itself.

At the time of Marco Polo's sixteen-year long stay toward the end of the thirteenth century, agricultural technology was highly developed, transportation systems were carrying products all over China and Asia, and inventive genius was pointing the way to a further revolution in production functions. But the burst of population ended, turned downward, income per capita was maintained at too low a level, and stagnation set in.

The slogan today "Learn from Tachai," might just as well have been phrased "learn from the twelfth century." Before the visit of Marco Polo, farmers had already improved their tools, knew how to use improved fertilizers (for example sludge from rivers), developed better seed, and constructed intricate irrigation systems. The addition of the element of a transportation revolution further increased the efficiency of agriculture by making specialization possible.

It still comes as a surprise 700 years after Marco Polo (!) that travelers of his time reported many thousands of ships in the rivers of China. Where land forms had not created natural waterways, the Chinese built canals. And where there was neither, good networks of roads existed. No part of China was more than two weeks away from the capital center. All this should be no surprise, for we know of commerce between the south and the northeast by river 500 years before the time of Christ. We also know that the Chinese invented the canal lock in the eleventh century.

A sophisticated system of money and credit came out of the medieval period. So did urbanization on a massive scale, and with the latter came what was to prove a difficulty only now being resolved by the Mao leadership.

Almost a thousand years ago now the Chinese began having difficulty with the creation of money to permit the expansion of business. One experiment after another brought them to the point about the year 1000 when paper money was brought into existence. Private and public instruments of credit further facilitated commerce. And in the 12th century "capital controls" were in existence as regions experienced "balance of payments" problems.

These events, expansion and movement of population, new agricultural techniques, vast improvements in transportation, and sophisticated monetary and credit systems, led to a great increase in the size and structure of the market system in China. Cities burst their boundaries, people moved in all directions, new towns were created, filled, and in turn burst their boundaries.

China, at the end of the 13th century was the world's most developed urban civilization. But these cities brought to China next plagues of epidemics, plagues of self-seeking entrepreneurs, and a general lack of consciousness of the Common Good. Population experienced declines and increases alternately for three hundred years, then steady growth for another two hundred, which brings us to the time of the British seizing a foothold in Hong Kong (1842). The population was then half the size it is today.

This brief historical picture should help us to understand one very vital aspect of the current situation and an important part of our foreign economic policy. In fact, without it we do not in truth understand these things. Prof. Elvin has expressed it quite well:

> If industry is to advance rapidly enough to let agriculture, and the economy as a whole, break out once and for all from the old high-level trap, it almost certainly needs to enter the international market to a far greater extent than hitherto. It is capable of doing this with an effectiveness that will come as a shock, if the decision to do so is taken.[22]

It has taken a long time, more than a century, for all of us, both East and West, to realize the significance of the new contacts between civilizations. For the United States, true nation-to-nation contact has only begun in the last generation. We had unfortunately earlier placed ourselves in the imperialist mold; our posture of the last 25 years has also been more of the same.

We still have the possibility of choice. We can lay the groundwork for long-term peaceful relations through promoting economic evolution. The conscience of the modern world requires we work at it.

Part II. Development of the Economic Structure of China Under Mao

At the time of the writing of this paper, China has already launched five satellites! This nation, which by economic measure is defined as one of the Less Developed Countries of the world, has acquired the scientific knowledge, the high technology, and the industrial sophistication to entitle it to a place among the decision-making powers of the world. Yet it has nonetheless openly proclaimed itself a member of the Third World and adopted the posture of a peaceful nation resisting the super-powers' attempts to control the course of world events.

In the short period of time it took to reach this level of achievement (barely over 25 years) many serious difficulties were encountered. With victory in 1949, the first tasks were those of reconstruction and the rehabilitation of industry. Despite the problems then involved, land was distributed to the peasants, agricultural output rose, and the starvation which had been common was ended. The flow of raw materials to industrial plants resumed. The astronomical inflation of the pre-1949 period was stopped, as the new government took control and restored public confidence.

Those tasks coincided with a new war, with the United States and the United Nations in Korea, from 1950 to 1953. With its army facing the United Nations forces in the field, China turned to the USSR and to the Soviet model for both assistance and guidance.

It was under such circumstances that the building of an economic structure for over a half billion people was begun. Before continuing the narrative, a few words need to be said about the predominant characteristic of Chinese society—its enormous population.

During the years 1949–75 the regime has at times spoken of the advantages of a large population, and at other times has encouraged population control. At the present time it seems to have been successful in creating a climate of thinking among the people that favors late marriages and small families. It seems safe to say at this point that the

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[22] *Ibid.*

rate of growth of the population is slowing down and will continue to slow down.

Official comment in the newspapers continues to boast that China has shown to the world that problems of population growth can be overcome by building agriculture according to the Maoist model. Contrary to the view of many Western spokesmen on the subject, Chinese opinion is that the Malthusian principle of population has been proven wrong.

Just what is the size of China's population? No one seems to know. The figure of 800 million has been used in this paper because it commonly appears in official usage in "Ta Kung Pao," and Chou En-lai himself had used it before his death. No regular census has been taken since the first attempt. The First Five-Year Plan (1953–57) was the occasion for the only true census that has been carried out (though there was an "investigation" of the Population Registers in 1964, without release of data).

The State Statistical Bureau was not established until August 1952 and at some time during the rest of that year the decision was taken to prepare for a census. The target day of accounting was to be June 30, 1953, with the final reports to be turned in by November 30, 1953. The schedule was impossible to maintain and the work was not completed until May, 1954. Nevertheless, a figure of 583 million was estimated for mid-1953, and that is the starting point for estimates by all interested statisticians.[23]

The United Nations' demographers carry an estimate for 1975 that is close to (only 3 to 5 percent above) Chou En-lai's "nearly 800 million". The US Department of Commerce projections place the population 100 million higher still in 1975. Differences such as these will presumably continue until China reports another census. If it turns out that the US estimates are correct, it would only make the accomplishments of the regime that much more remarkable.

Just as one cannot obtain exact data on population, one should not expect to find sophisticated statistical series when it comes to macro- and micro-economic data. By this time, the Chinese probably have organized a good statistical reporting system. After all, there are now in use and in production Chinese computers. But just as it took years to reach the stage whereby computers could be produced, so it has taken years to develop the statistical network needed.

The State Statistical Office is the source of data for the years of Reconstruction (1949–52) and the period until the Great Leap. "Ten Great Years" was the last publication giving us detailed information. In view of the fact that the statistical reporting network was undergoing development, the data might not be quite so accurate as we would like. The American scholars who have contributed to the JEC study, "China: A Reassessment of the Economy," have for years picked over the data for that time and given us valuable benchmarks.[24] The State Statistical Office never produced another such publication and the scholars' tasks from 1960 onward became extremely difficult indeed.

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[23] See the discussion by Leo Orleans, in "China's Population: can the Contradictions be Resolved?" JEC, "China: A Reassessment," 1975, p. 75.

[24] Table 1 provides an indication of the overall economic achievements at significant points under the Mao regime.

TABLE 1.—BENCHMARKS OF ECONOMIC DATA

	GNP (billions United States dollars, 1973)	Industrial output (1957=100)	Agricultural output (1957=100)
1952	67	48	83
End of 1st 5-yr plan, 1957	94	100	100
End of Great Leap Forward, 1960	106	184	78
Prior to start of Cultural Revolution, 1965	134	199	114
End of Cultural Revolution, 1969	157	265	118
Estimated, 1974	223	432	141

Source: JEC, "China: A Reassessment of the Economy," 1975, p. 23 (Ashbrook).

During the First Five-Year Plan, gross national product is believed to have risen by 40 percent and industrial output to have more than doubled. Things had gone well under the Soviet model and with Russian guidance.

The Second Five-Year Plan, for 1958–65, was launched amid great enthusiasm. Industry was called upon for even greater output and it did perform nobly, yielding an increase of 84 percent in only three years (The Great Leap Forward). Unfortunately, the years 1959–61 were years of disaster for Chinese agriculture. (In fact it would take until 1964 to regain the level of ouptut of 1958.)

The Russians and the Chinese began to go their separate ways. During 1960–61 the Soviet technicians were pulled out of China, and numerous plants and projects were abandoned. This was a blow which would retard China's industrial development. The year 1962 witnessed the coincidence of the Cuban Missile Crisis for the USSR and the border war with India on the part of China. The Sino-Soviet split was now well under way.

The Great Leap was a disastrous over-reaching attempt to achieve unrealistic goals. The capacity of the system could not sustain the level of output demanded of it. For the last two years of the Second Five-Year Plan, national output was thrown backward to the levels of the First Plan period. It appears the Second Plan was silently forgotten during these two years and a period of readjustment undertaken to restore and rationalize the structure of the system.

Precious little is known about the Third Five Year Plan, for the period 1966–70. Actually, the Cultural Revolution began in 1966 and as disorders interrupted production and transportation schedules the Plan was indefinitely postponed.

Chou En-lai has said that the Third Plan was completed successfully, in fact, overfulfilled.[25] As we look backward at all the events discussed above, it would seem that the basic Stalin model, in all its forms and aspects, was first interrupted, the social costs of this interruption accepted, and re-direction begun.

During the readjustment period, the first atomic bomb had been tested, and during the Cultural Revolution the first hydrogen bomb. In 1969 a great war scare occurred as there were border clashes with the Russian army. Nevertheless, as we come to the year 1970 adequate preparations were made for a conventional plan period.

[25] Peking Review, January 24, 1975.

The Fourth Five-Year Plan covered the years 1971–75. Substantial gains were made throughout the economy, in industry, in agriculture, and in foreign trade. A basic, adequate standard of living consequently has been provided throughout China.

Hopes were again high as the Fifth Five-Year Plan was launched, for the years 1976–80. It is a crucial Plan, considering the goals of the regime for the year 2000. But with industrial output 9 times what it was the year before the First Five-Year Plan in 1952, the chances are excellent for success.

Development Balance

When the imperialist powers "opened" China to the Western world in the nineteenth century. their disposition was to locate their investments along the coastal regions. Chinese entrepreneurs themselves who joined in business enterprise with the Westerners accented this trend. Both parties drew from the inland regions but did not develop those areas.

China thus had begun to take on the aspects of Dualism, a problem which faces many less developed countries. In a Dualistic society there are pockets of modern industry, modern markets, financial institutions, decent living conditions, good education, all of which are in contrast to the situation in which most of the country finds itself. The so-called traditional sector has none or perhaps few of the appurtenances of modern life.

Perhaps it was because of his knowledge of life in the traditional sector that Mao Tse-tung determined to rescue China from the Dualistic trap, or perhaps it was a mixture of reasons. At any rate, whereas the time of the First Five-Year Plan was one of centralized control and planning, ever since that time there has been considerable emphasis upon local participation in planning and upon local decision-making. Mao knew that the local people would participate more in achieveing national goals if they felt that their own goals were part of that process.

Decision-making is not the only aspect of course. There are very real obstacles to be overcome. The modern sector in China, as Mao found it, consisted of seven coastal provinces. Within the inland provinces were 60 percent of the people, and 90 percent of the land, yet only two-thirds of the cultivated land and one-third of the industrial output.

There were both strategic dangers and economic costs in this condition. With its production centers located near the coast, China was quite vulnerable to conventional air and naval power. The Korean War convinced Mao of the need to correct this. Further, the movement of raw materials from the interior to manufacturing centers, and of finished products to the interior, added transportation costs which could be eliminated if the interior provinces were developed. Not only that, but the resources of the interior were not being put to use or even explored.[26]

The attempts to emphasize interior development under the First Five-Year Plan turned out to be costly and so Mao began to think

[26] See the article by Roll and Yeh, "Balance in Inland and Coastal Development," JEC, "China: A Reassessment", 1975, pp. 81–93.

the best way to achieve his objective might be to put more resources into the coastal areas after all. The surplus produced in coastal industry could later be tapped so as to develop interior provinces. There was one thing that could be tried, however: If a great leap forward could somehow be achieved in industrial production in all areas, perhaps both objectives could be met within a short time.

The failure of the Great Leap in the aftermath of initial success was felt mainly in rural areas and in particular in agriculture. When, in addition, the Soviet technicians withdrew, the whole program for developing the interior appeared to be ending in disaster. Nonetheless, it should not be viewed in such light; the interior share in total industrial production had been increased slightly during the First Five-Year Plan and then held its own thereafter. At least the progress of Dualism has been arrested.

Several aspects of the policy of correcting the past drift of the economic structure of China need to be examined: the significance for planning, the matter of revenue-sharing, and the determination of firm size. Since the Cultural Revolution there has been great emphasis upon self-reliance, upon industry supporting agriculture, and upon building the military strength of China. When, in 1969, there were border clashes with the Soviet Army, all these elements were permanently mixed together in a policy decision to develop the entire area of West China and of South-Central China—within a context of provincial self-reliance.

Contemporary policy evolved quite rapidly as experience taught the Chinese leadership and as it responded. The Chinese are an extremely flexible people and are quick to drop whatever is not successful. Their own experience with the First Five-Year Plan coincided with Soviet experience with a Sixth Plan failure. Krushchev documented the failures of the Ministerial system in the USSR and embarked upon Regional planning in an attempt to salvage the failures of the Sixth Plan. The lesson was not lost upon Mao Tse-tung.

China had started out with central-government planning of national goals and production targets. The ministries then set production targets for each enterprise under their control. Provincial governments set separate targets for the relatively low-priority plants under their control. Practically speaking, the ministerial plans added up to the national plans. But what was now failing in the USSR would face even more difficulties in China: the population was about three times the size, transportation was inadequate, and communication systems poor.

The Chinese solution was not more centralized control but rather less. Enterprises which had been under complete control by the center were, in the Second Five-Year Plan. (the Great Leap period), to be jointly controlled with the local authorities. The Provinces were given the responsibility for formulating plans for all producing units within their borders.

Still, production plans and financial plans are two different, though closely related, matters. The provinces do collect 80 percent of all tax revenues.[27] They do make production plans and do determine product mixes. But what about the money to do these things?

[27] Nicholas Lardy has analyzed the financial aspects of planning for the Joint Economic Committee Report on China. See his article, "Economic Planning in the People's Republic of China: Central-Provincial Fiscal Relations."

A national revenue-sharing system exists in China. The more prosperous provinces are called upon for funds for the development of the more backward provinces. Thus, the central government can control the general direction of the economy, determine the flow of funds to large investment projects, and still set important production targets. Management on the spot, within this framework, makes its own decisions.

One other aspect of development balance needs to be considered and that is the matter of firm size. If the drift toward development of the coastal areas with their large cities were continued, the likely outcome would be the drift toward construction of larger plants. But the plan to develop rural areas requires an opposite tendency.

Typically, both in older, industrialized societies and in contemporary less developed ones, people have left their farms and swarmed to the cities. Although this movement was part of past economic progress, wherever the Industrial Revolution has taken place, in the poorer countries of the world the cities have had little or nothing to offer the people. Many thousands surround the cities, living in squalor on virtually nothing.

The Chinese plan to avoid having any more of this kind of "development" process. Instead of people moving to the cities hoping for industrial employment, industry is being brought to the people in their home areas. Furthermore, cottage-type production is being converted into industrial size. The rural areas now generate about half the output of electric power in China and produce about half the tonnage of steel.

Such an overall development plan calls for many thousands of small plants. The 50,000 communes have their own small plants and workshops. There are 50,000 hydro-electric plants serving these and other small plants. Consumer industry units probably number more than 100,000. In all, the rural areas probably contain a half million small plants.[28]

The success of a rural development program depends upon many things. Chief among these factors would be whether the plan taps the local resources, is in the interest of the local area, relates production to local purchasing power and demand, employs the people, and generates an improvement in the level of living. All these things are found said by the leadership as the goals of China today.

Being oriented toward the local people, they are persuaded to stay in their provinces and take part in building them. Their skills are formed and remain available in their home areas. The capital requirements are lower in this type of development program. There is even a further beneficial element by virtue of reduced foreign exchange needs.

In summary, the development balance being built in China satisfies many requirements: In the first place, the plan is part of the strategic defense of the nation. Secondly, it is essential to the economic progress of China that the whole nation be developed. Thirdly, balance is the most economic use of resources in the building of Chinese civilization today.

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[28] Figures from the contribution of Jon Sigurdson to the 1975 JEC report, "Rural Industrialization in China."

The foundation is being laid for a true Great Leap Forward, but this time it is to be long-term. In fact, the year 2000 has been set for the completion of this leap.

"Walk on Two Legs"

A unique trait of Mao Tse-tung is his ability to coin a phrase which not only encapsulates an economic principle of importance for development but at the same time gets it across to the peasants of China in a picture that all can understand. In 1964 Mao had urged the country "in agriculture, learn from Tachai." This expression has now come to indicate the new character of Chinese agriculture and its relation to industry and the State. October, 1975 saw a National Conference on Learning from Tachai, convened by the State Council, and held in the home region of Tachai, Shansi Province, North China. This conference was chaired by Vice-Premier of the State Council,[29] Hua Kuo-feng, and was attended by the Vice-Premier of China, Teng Hsiao-ping, as well as other top leaders of the Party and the Government. Hua Kuo-feng, in his summary report said "the nation-wide mass movement to learn from Tachai in agriculture has reached a new important stage." [30]

There are at present, according to Hua, more than 300 "Tachai-type counties" and he called for the organization of 100 more a year during the Fifth Five-Year Plan. What does it mean to carry out this policy? As Hua described it, it means

> . . . to build every county in the country into a fighting bastion which keeps to Chairman Mao's proletarian revolutionary line and the socialist road . . . .
> . . . to enable every county in the country to achieve stability and unity . . . .
> . . . every county will implement the general principle of taking agriculture as the foundation and industry as the leading factor in developing the national economy . . . .

Great emphasis was laid upon undertaking large-scale farmland capital construction, mechanization of agriculture, and scientific farming. Capital construction would demonstrate the superiority of the commune, would wipe out vestigial small units, and make possible greater mechanization. Each county will have to see to the organization of scientific agricultural units at every level: county, commune, brigade, and team. The Chinese leadership appears to have recognized the failing noted by our American expert visitors, the neglect of scientific research.

A characteristic of Tachai which must be noted is not only the great achievement in agriculture, but the fact that the people accomplished this through their own resources. Hence the emphasis upon "self-reliance." Hence, also, Hua's call for the counties to build agricultural machinery industry and to set up small industrial plants to manufacture steel, fertilizer, and cement, and to mine coal.

When agriculture becomes large enough in scale of production, Hua foresees the brigade, possibly even the commune, becoming the basic unit of account. Beyond that in time, Chinese agriculture would proceed from collective ownership to socialist ownership and then to communist ownership. But the latter two are in the distant future.

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[29] Now Premier and First Vice Chairman, Teng being dismissed.
[30] The report of Hua Kuo-feng appeared in Ta Kung Pao, October 30, 1975, pp. 6–7.

In the meantime, "modernization of agriculture will more effectively motivate and guarantee the modernization of industry, national defence and science and technology."

AGRICULTURE—THE BASIS

Just as with the other sectors of the economy, the current level of achievement and hopes for the future did not come about by accident or without severe difficulties. The First Five-Year Plan included high-cost projects to control the rivers in the North China Plain, an area with 20 percent of the nation's farmland and often subject to floods and droughts. In 1954 and again in 1956 floods not only reduced the food supply but gave the new leadership some idea of the magnitude of the problem in North China.

As has been described earlier, in 1958 the Chinese began scrapping the Soviet approach and launched the Great Leap Forward. One of the disasters of this period was that of poor weather during 1959–61 which drastically and dangerously cut the food supply, bringing the nation close to starvation. Great hopes had been held for the Communes to boost agricultural output, but they could not cope with floods and bad weather.

This experience taught the leadership to put agriculture first and to decentralize decision-making down to the level of the production team. However, an additional lesson had to be learned. In 1963 the North China Plain was subjected to another disastrous flood. Now, investment by the state would be directed to those areas where a better return could be counted on. Central and southern China were rice areas and increased investment there would tend to stabilize the food supply. For the meantime, North China would have to go about the business of solving its problems with its own resources. From here on Tachai began to be cited as the ideal for "self-reliance."

Self-reliance meant the emphasis upon small plants in rural areas to support agriculture. Such units manufactured tools and implements for the farmers, produced fertilizers, and supplied water pumps. Although these products were not up to modern standards, their availability made it possible to restore agricultural output to a level where it was growing faster than the population.

Since 1961, Australia and Canada have been the chief sources of grain. In 1972, there was a year of disappointing harvests, and as a result China turned to the United States, for almost a million tons of grain in that year, 4 million in 1973 and 2¾ million in 1974. (It has since turned away from placing such orders with the United States.) And in 1973 we supplied China with 100 percent of the soybeans imported (the first time it had ever imported soybeans), 90 percent of the vegetable oil, and over half the grain, but ships sat in the ports of China for 10 weeks or more waiting to be unloaded!

Another development in 1972 was one which is of great importance for the future. Thirteen of the world's largest fertilizer complexes were purchased that year. They are coming into operation as they are finished and should all be in production before the end of the current five-year plan. One of our experts on China's agriculture,[31] sees these

[31] See the article by Alva Lewis Erisman, "China: Agriculture in the 1970s," in the JEC report, pp. pp. 324–349.

plants as the key to future development of Chinese agriculture, provided they are part of a proper mix of inputs. At the same time these plants will make China dependent on the world market for increased imports of potash. Another,[32] acknowledges the impact of past applications of fertilizer but points out that the essential element for the future is whether Chinese research develops new, fertilizer-responsive seeds.

There is no doubt that through state policy, peasant cooperation, and rationing, the food distribution problem has been brought under control. Even imports have been more for the purpose of increasing the standard of the people rather than preventing starvation. Inputs of fertilizer, water, and seeds were the chief stimulants directed by the state. But to obtain peasant cooperation, one important matter was taken care of: prices of things farmers buy were reduced and kept low, whereas the prices of things farmers sell were raised. As for the population as a whole, rationing made sure each would get an adequate amount of food at very low cost.

With the increase in the standard of living of the agricultural sector, it should not be surprising that rural provinces are called upon to use their own resources. Small private plots are still permitted, sideline output of consumer goods is encouraged, the terms of trade in terms of prices is favorable, and consequently investment by teams and by communes has been increasing.

Part of the problem of finding the right balance between agricultural and industrial development has also involved finding the right governmental structure. In the Great Leap, for example, Mao seemed to be hurling the people forward into Communist society via the Commune form. (This was the ideological aspect of the Great Leap and they were not ready.) Again in the Cultural Revolution he hurled them against those who blocked the way to achieving his model of Chinese society.

Today, we can see the institutions which have grown out of experience, and they are in constant ebb and flow. The 50,000 Communes for example, are for all intents and purposes local government. The Brigades (perhaps 750,000) coordinate between the Communes and the next level, the Production Teams, providing social services as well. The 5 million Teams contain within themselves the family households and are the important basic segments of organization in China. One cannot list tasks and responsibilities for Communes, Brigades, and Production Teams, and expect them everywhere to be the same. That would not fit either reality or the Chinese nature.

What we do know is that the new Constitution cites the Production Team as the basic unit in the system. Later in the century, perhaps another Constitution will come along and change that to the Brigade or the Commune (per the report of Hua Kuo-feng). But for the present stage, it is the Team which is served and it is the team which makes the local basic decisions.

Many things are now provided to agricultural areas which were missing from the old society inherited by the Communist Party. Among these are adequate medical care, public health facilities, and education. There has been put into effect a system whereby certain youths are selected to be trained in elementary medical and health care and then returned to their home locality to provide these services

[32] Dwight H. Perkins, "Constraints Influencing China's Agricultural Performance," JEC report, p. 358.

(these are the so-called "barefoot" doctors). Clinics have been developed and function in virtually all communities. Peasants are taught to read and write, there are peasant colleges, technical colleges, correspondence schools, and research institutes. These are all elements required for the success not only of agriculture but national development balance as well.

INDUSTRY, THE LEADING FACTOR

As we have seen earlier, Chou En-lai reported to the National Congress in January, 1975, that the value of total industrial output in 1974 was 2.9 times that of 1964. More recently, Ta Kung Pao, in discussing the last year of the Fourth Five-Year Plan, reported that in the first eight months of 1975 total industrial output was 17.3 percent higher than in the first eight months of 1974, crude oil output 25.5 percent higher, and electricity output 15.7 percent higher. Unspecified increases were claimed in iron and steel, machine-building, and light industry. Output of computers and program-controlled machine tools was up, and there had been a trial run of a Peking sedan car.[33]

The data supplied by Chou En-lai was the first in a great many years. During the years of statistical drought, U.S. scholars kept track of the pieces of information released here and there. One of these experts, Robert Field, in his report to the Joint Economic Committee, in the light of this new data, now makes the following estimates:[34]

1949–74 the average annual rate of growth was 13 percent.
1949–60 it was 22 percent.
1960–74 it was 6 percent.
1975–80 should see a growth trend of 8–10 percent return.

We must look back briefly over the past years: During the Reconstruction years, 1949–52, capacity had to be rebuilt from two causes: damage during the war and removal of equipment by the Russian army in Manchuria (at the end of World War II in 1945). During this initial phase, industrial output doubled. It redoubled during the First Five-Year Plan.

We have already seen that in the Great Leap, 1958–60, output soared, but then fell back (as though the economy had tried to leap beyond its production possibility frontier and then had fallen back). The withdrawal of the Russian technicians now left many plants unfinished and others out of operation.

Recovery again was made nonetheless, and a new high level of output was reached in 1965. Then another period of falling back occurred when the upheavals of the Cultural Revolution made themselves felt. Since then, however, output continued to rise, though at a slower rate through 1974. The Fifth Plan period (1976–80) will be the one which must consolidate gains in preparation for the expansion period, 1980–2000.

But figures do not tell the whole story. It should not be forgotten that in its first 25 years Communist China also developed nuclear capability, launched earth satellites, and built the world's third

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[33] Ta Kung Pao, October 2, 1975, p. 3.
[34] Robert M. Field, "Civilian Industrial Production in the People's Republic of China," p. 149 "China: A Reassessment."

largest fleet. One wonders what forecast would be able to encompass their accomplishments by the year 2000. (It is even possible that Mao Tse-tung himself underestimated the capabilities of China in the beginning.)

The expression "walk on two legs" is worth looking at in this connection. It has been open to a number of applications. In the beginning it was taken to refer to a capital-intensive leg and a labor-intensive leg. Soon it was seen as really meaning walking on many legs. Next it seemed to apply to agriculture and industry. But in all applications it directs attention inevitably to human resources because it is a human figure. And in a country whose chief resource is people it is into certain human aspects of Chinese society that we must look in order to find the chief factor in Chinese accomplishments, past, present, and future.

It is common knowledge that in China wage differences exist between occupations and within occupations, and also that there are eight stages from bottom to top of the pay scale. Progress has been made in the direction of reducing the differences.[35]

Observations so far indicate that it is among the younger workers that a reduced spread is being applied, not by cutting down the experienced workers (including professors). Differences between men and women, between mental and menial, between city and countryside are all on the way to being narrowed. In general there appears to be acceptance (though at times grudgingly given) and there seems to be high morale and a sense of duty. Professor Tobin described it this way:

> China really is at the beginning of an experiment to see if nonpecuniary incentives can be substituted for substantial income differences as inducement for high-quality professional, scientific and administrative performance. Of course, the chances of success are facilitated by the state's control of job allocations and the denial of free choice of jobs and occupations.
>
> . . . I was surprised at how easily and cheerfully they accepted this fact of their lives.[36]

Of course the last word is not yet in on this subject, and indeed may not be for a long time to come. It is part, it is said, of the "continuing revolution." I am indebted to Dr. John Hardt of the Congressional Research Service for putting the matter well, in an unpublished memorandum to me on the subject:

> There has been and continues to be a sharp debate over the place of such incentives in both agriculture and industry—and this argument is present at all levels of society. Those favoring incentives are apparently not losing the battle.

An important part of the motivation of management lies in the education for management. It is here that we note an attempt by the Chinese to avoid copying the Russian model.

The leaders of China observed what happened to Soviet society: Managers and bureaucrats became a group aside from and on top of the people. Some Chinese leaders have liked this concept, but apparently Mao has not. An entire educational structure was built by the Russians to train more such elite administrators. This is anathema to Maoists. Their view of the connections between the educational system and management in China have been observed and com-

[35] See the analyses by T. G. Rawski, "China's Industrial System," and Carl Riskin, "Workers' Incentives in Chinese Industry," both in the JEC report.

[36] James Tobin, "The Economy of China: A Tourist's View," Current Scene, May, 1974, p. 11.

mented upon by the Vice Chancellor of Griffith University (Brisbane, Australia):

> One of the most basic of Chinese values is the notion that it is possible to create and administer—in all its public, industrial, commercial and military aspects—a modernizing, industrializing state without institutionalizing an elite group or class of administrators and technological experts . . . The Chinese . . . argue that such technologists and administrators must be educated in such a way as to accept service to the people. . . .[37]

Part III. Foreign Economic Policy

Leading Resource Questions

Before proceeding to an examination of the Foreign Economic Policy of China, it is both necessary and fruitful to review what is known of Chinese oil and other energy resources, the capability to produce iron and steel, and the magnitude of the defense burden. These areas will help to shed light on what has been happening in China's international economic relations and perhaps also upon what may be expected to take place in this field.

OIL

Prior to the Mao government, oil production in China was not significant. In fact, before World War II it had been said by U.S. oil company representatives that China would not ever be a significant producer. Chinese opinion today is that such a view was part of a policy to keep China as a market for American oil.

Thanks to a program of exploration and to equipment obtained from the USSR, the Chinese began to find and to exploit ever larger fields. One enormous find was at Ta-ch'ing in Manchuria in 1959, other large fields have been located in North China, and off-shore resources have been found in the Pohai Gulf. These are by no means all. Exploration continues both inland and in the Yellow Sea, the East China Sea, and the South China Sea. It may be that all the areas together give China the world's third largest store of oil reserves.

A short tabulation will serve to show the dramatic transformation which has taken place:[38]

Oil Output in China:	*Millions metric tons*
1950	0. 2
1960	5. 5
1970	28. 5
1974	65. 3
1980 (estimate)	200. 0

By 1974 China was no longer dependent upon foreign sources for oil, was the world's 13th largest producer, and its oil exports had become a very significant earner of foreign exchange. (In 1975, China was ranked among the top ten.) During the remainder of the Fifth Five Year Plan it should continue to be a major factor in enabling China to purchase modern industrial equipment on the world market. Although this is one more field in which China has given us no statistics, all observers are of the opinion (from the limited information which

[37] F. J. Willett, "The Development of Administrators in the PRC," Current Scene, October, 1975, p. 2.
[38] Figures from the article by B. A. Williams, "The Chinese Petroleum Industry," JEC, "China: A Reassessment," 1975, p. 228 and p. 235.

has been given out) that the oil reservoirs in and around China are highly prolific and estimates of reserves will continue to grow.

This new availability of oil has been transforming the energy picture in China as can be seen in the following tabulation from Williams' article: [39]

TABLE 2.—PRIMARY ENERGY PRODUCTION

	Million metric ton coal equivalent	Share (percent)			
		Coal	Petroleum	Natural gas	Hydroelectric
1957	102.25	94.57	1.86	1.04	2.53
1965	206.20	79.02	6.81	11.76	2.40
1970	326.82	70.19	11.34	16.12	2.36
1974	458.63	62.75	17.01	17.72	2.52

It is seen from the tabulation that total energy output since 1957 has increased to a level four and one-half times higher. Within this total increase in energy, petroleum and natural gas together account for more than one-third of the total, whereas in 1957 they were a mere 3 percent. The situation requires us next to put oil into the total energy picture and to examine what has been taking place.

ENERGY, A REVIEW

With the oil discoveries of recent years in mind, it is safe to say that the total energy resources of all types in China are of such magnitude as to place it among the top nations of the world for an indefinitely long time to come. The problems are in the fields of transportation and modernization.

In the case of coal, more than half of deposits are found in the western part of China, an under-developed and under-populated area. One of the reasons behind the overall plan to bring industry to the west is surely that the west has the resources, and that coal, oil, gas, and hydro-energy potentials are high and relatively unexploited.

To draw attention to the need for expanded capacity and higher levels of output of coal, the largest conference of representatives of this industry was held in Peking in the fall of 1975. Five thousand of China's engineers, geologists, producing teams, municipal representatives, provincial officials, ministerial administrators, and members of research institutes were gathered to promote knowledge, exchange experience, and stimulate greater efforts. The largest mining complex, Kailuan, in North China, was cited for having increased output at an annual rate of over a million tons since the year 1968 by rehabilitation of existing and old shafts. Four of its seven mines had doubled the capacity of their facilities. Other complexes were urged to do the same in order to conserve the government's investment funds.

In his report to the conference, the Minister of the Coal Industry, Hsu Chin-chiang, indicated that output, tunneling, and capital construction of coal mines had all been rising above quotas. But the emphasis of his message was a call for unprecedented speed in developing this industry during the next ten years.[40]

[39] *Ibid.*, p. 241.
[40] Conference reported in Ta Kung Pao, November 6, 1975, p. 3.

Consumption of petroleum has been increasing at an annual rate of 20 percent for quite a few years. It is apparent that new industry uses oil, some older industry has been converted from coal to oil, and agriculture is growing as a consumer as more and more modern equipment is introduced into the countryside.

In the early 1960s, China began to contact European nations and Japan in order to obtain the technology and the equipment with which to exploit the newly discovered oil fields. The refinery at Ta-ch'ing was completed by 1966, and the plant at Peking by 1969, China having been assisted by Italians, Germans, Japanese, and Cubans. Though a great deal of new construction was taking place, and the equipment being installed was up to date, nevertheless oil was still carried by trains, trucks, and small ships.

The 1970s have seen modernization of other aspects of the industry. Pipelines have been built and port facilities developed in order to complete the structure. Larger ships have been purchased and some large tankers actually built in China. In 1975, China began offering to contract for construction of tankers.

Along with the great expansion in oil has gone the development of natural gas. Szechwan Province started the modern industry in 1955, has since been the chief producer of natural gas, and gas is the chief source of energy for heavy industry in that province. During the Fourth Five Year Plan there has been great expansion of gas output in areas outside of Szechwan and this expansion is related to new oil production. Thousands of new wells have been sunk, pipe lines have been built, and many cities now supplied with gas service. All these developments have served to make China the world's fifth largest producer of natural gas.

For the generation of electric power, China has relied mostly upon fossil fuels. Three major power grids transmit electricity throughout the Northeast, the East (Shanghai-Nanking), and Szechwan. For these networks, China continues to build capacity and to advance transmission.

For a large part of the country, many thousands of small hydroelectric power plants have been built. These plants are important not only for local power, but also local flood control and the supply of water for irrigation. The small dams which are part of-these developments, as well as the plants, can be built in a few weeks by drawing upon hundreds of local workers. About 95% of the dams are simple, earth-filled structures. The whole gamut of services provided by the dams is subject to the vagaries of China's rivers and China's weather. But they nevertheless fit the needs of rural areas at this stage of development.

Taking into consideration the whole energetics picture, China is considered to be the fourth largest energy-consuming nation in the world. One observer estimates that by 1980 China may be producing 800 million mtce, by 1990 a total of 2.1 billion mtce, and by the year 2000 the maximum output may be 4 billion mtce. He concludes,

> These are very high levels of production and would not only boost individual consumption but would probably establish China as the third largest energy consumer—and hence the third largest economic power—in the world.[41]

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[41] Vaclav Smil, of the University of Manitoba, in his article "Energy in the PRC," Current Scene, February 1975, p. 14.

IRON AND STEEL

China ranks as the world's sixth largest producer of crude steel, but at the same time has experienced considerable problems. The iron ore and coking coal have not been of good quality, though they are plentiful. Modern, high quality technology has been missing for the most part, and large amounts of foreign exchange are required to introduce such technology.[42]

At the time of the takeover in 1949, the remnants of the industry had to be rebuilt and the Chinese had to be trained in their operation. The USSR assisted in both these tasks (it had earlier removed the equipment). The industry recovered and progressed until the Great Leap and the withdrawal of the Russian technicians. The attempt to get the population to make steel in backyard furnaces of course resulted in a terrible waste of scarce resources in inefficient production methods.

Few statistics have been made available in this field, and some of them have been quite wild as to their claims. But we are sure that China has ample known resources of ore and coal through the country except for the southeast. (Large amounts of both are not of high quality). There are large deposits of alloying materials, but China is short on chromium, cobalt, good quality coking coal, nickel, and scrap. The government has been slow to introduce adequate beneficiation facilities.

There have been constant exhortations that producers find ways of using lower-grade, local coal in making steel. At times breakthroughs have been claimed to have been made in such processes. With about one-fourth of coal output consumed in the production of steel, however, there must have been considerable wastage of coal. Small plants using low quality coal are found to be losing more than 50% of the coal in the beneficiation process. The products of these plants can be used of course by agricultural areas, and such places will have to be satisfied with poor quality until more modern and larger installations can be built.

An interesting aspect to the problem of producing steel is the simple fact that China has not for long had a modern, industrial sector. Hence, its supply of scrap metal lags behind the need for it. Nothing can be allowed to be wasted, and there are collection campaigns to gather scrap metal from the people. Imports of scrap have been fairly high for the past five years.

Although expert eyes look upon this industry as backward, the mixture of production facilities has some advantages for China. Two-thirds of steel capacity is in open-hearth furnaces. These furnaces, by virtue of their ability to consume a great variety of materials, permit satisfactory levels of output until the industry can be completely modernized. The other third of capacity is made up of basic oxygen furnaces, electric furnaces, and side blown converters. The basic oxygen furnace is the modern type facility of which China needs more, and the electric furnaces are few in number. But for a lot of local needs, the side blown converters can be built without much

[42] A survey of the industry is contained in the article by Usak and Egan, "China's Iron and Steel Industry," JEC, "China: A Reassessment," 1975, pp. 264–288.

investment, and can be operated economically. The Chinese have built hundreds of these even though the product is not of good quality.

When faced with the choice of dependence on foreign sources for good quality inputs and high quality steels, or importing equipment and technical assistance, the Chinese have opted for the latter recently. With German and Japanese assistance a large complex is under construction at Wuhan. Because of the vital nature of this industry to the development plans of China we may expect that the problems described above will get full attention during the current Five Year Plan.

DEFENSE AND ITS BURDEN

Having seen many times above that ordinary statistical information is not available on the Chinese economy, it will come as no surprise that we do not know all we would like to know about the defense establishment. Despite the difficulties, however, American analysts have done a thorough job of estimating China's economic capability to wage war, support the building of a strong military posture, and build its future economic potential for war.

Estimates gathered by contributors to the Joint Economic Committee report on China placed the defense expenditure in some recent years at about 20 to 25 percent of expenditure by the United States. This sum was also believed to be roughly ten percent of the total national product of China.[43]

These expenditures were a product of the leadership's view of its position vis-a-vis its enemies, the need to occupy an important place in world decision-making, and its capability to support these expenditures while in the midst of developing a modern economy.

The overall world view of the Chinese leaders may be seen and heard in many places. In the Preamble to the 1975 Constitution, for example, it is said: "China will never be a superpower." The implication of this, of course, is that China realizes the monumental cost of attempting to catch up with the United States and the USSR in developing modern sophisticated weapon systems—at least that day is far off. At the same time the Preamble also says China will "oppose the hegemonism of the superpowers." This statement implies that there will be developed a military force which can protect China completely against the two superpowers.

At the celebration of the 26th National Day in Peking (October 1, 1975), Vice-Premier Teng Hsiao-ping summarized the world view of the leadership, saying:

> The current international situation is characterized by great disorder under heaven . . . Countries want independence, nations want liberation, and the people want revolution—this has become the irresistible trend of our era. At the same time, the two superpowers are contending with each other with ever greater intensity. The factors for both revolution and war are increasing.[44]

The USSR has the dubious distinction of being the strongest and most immediate of threats to China. There are about 50 divisions of the Soviet Army, well equipped with modern weapons, along the border of China. This presence is very real, obvious even to travelers, and a current danger to the security of China. Hence, the Chinese leadership continues to maintain the world's largest ground force

[43] See, for example, Angus M. Fraser, "The Utility of Alternative Strategic Postures to the People's Republic of China," pp. 438–458.
[44] Ta Kung Pao, October 2, 1975, p. 6.

and to equip it so as to be able to absorb an attempted Soviet invasion and prevent a takeover of the nation. This Chinese army, however, is not equipped to carry out a reverse operation, a successful invasion of the Soviet Union.

The People's Liberation Army, as the Chinese call their 3-million man force, enjoyed an excellent reputation upon the Communist victory in 1949, and continues to be highly respected. However, the principle "Politics in Command," seems to be one which on occasion the political leaders of China feel must be re-asserted. Thus, on January 1, 1974, the New China News Agency announced a surprise reshuffling of the regional commanders of the military forces. The changes reduced the influence of the military in Party civil matters, and increased the influence of the Party in military matters.

When the new Constitution was adopted in January, 1975, Article 15 named the Chairman of the Central Committee of the Communist Party as the commander in chief of all armed forces. The same article redefined the PLA as being not only a fighting force, but also a work force and production force. In fact, the army divisions carry equipment with them to join in agricultural work as well as work in local plants.

The operational cost of the ground forces to the economy must be quite low, for the PLA grows its vegetables and grain in the vicinity of its own barracks. Factories are also operated by army units to produce locally needed equipment such as water pumps, which serve not only their own requirements but also those of the regional populace. According to Hsinhua sources, only 60 percent of the time of PLA units is spent in military training.[45]

Opinion has grown to the effect that along with the re-assertion of Party control over the military there must also have been a reduction in the share of total spending devoted to military end-items.[46] In the long run, the capability to produce modern weapons will be better assured by devoting resources to the building of a modern economic system. There is a great cost advantage to such a policy in that China would not have to bear the wasteful burden of continuing to keep up in the arms competition. New weapon systems constantly replace existing ones and cost a great deal more than those they replace. Such a waste of China's resources, it is believed, cannot be countenanced by the leadership.

At the same time, however, resources are directed to some necessary sophisticated systems. December 16, 1975, a fifth satellite was successfully launched. October 27, 1975, a new underground nuclear test was conducted. On that occasion the government declared what has been said many times, "at no time and in no circumstances will China be the first to use nuclear weapons." [47]

China is now reputed to have built the world's third largest fleet, though only part of this fleet consists of modern naval weapon systems. There are about 50 submarines and 20 destroyer (or destroyer escort) ships, some of the latter carrying missiles. Many smaller vessels are also fitted out with missiles. The range of all these ships, however, indicate a fleet designed for defense of the homeland. Bearing

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[45] Hsinhua News Agency, in Ta Kung Pao, August 7, 1975, p. 6.
[46] Sydney H. Jammes, for example, believes it to have gone below 10% of GDP. See his article "The Chinese Defense Burden, 1965-74," JEC, "China: A Reassessment", 1975, p. 465.
[47] Hsinhua report in Ta Kung Pao, November 5, 1975, p. 1.

in mind the Soviet naval presence in the Indian Ocean, the extent of China's coastline, the American presence in the Pacific, and the Nationalist forces in Taiwan, it is reasonable to expect a growing investment in naval forces.

The situation in Taiwan is sufficient in itself to expect to see a developing Chinese navy. Of the ultimate intention of China, there can be little doubt. Chou En-lai, for example, in his report to the 10th Party Congress, said in this regard:

> Taiwan must be liberated. Our great motherland must be unified. This is the common aspiration and sacred duty of all nationalities of the country, including our compatriots in Taiwan.[48]

Such intentions were echoed on Army Day, July 31, 1975, by Yeh Chien-ying, Vice-Chairman of the Central Committee, and Minister of National Defense. He called upon the PLA to "be ready at all times to wipe out the enemies who dare to intrude. We are determined to liberate Taiwan!" [49]

The presence of the Soviet Army across the border has provided constant stimulus to the slow, steady growth of air power. The air force includes older Soviet type fighters and bombers, growing numbers of Chinese-designed and manufactured modern aircraft, and there are indications of new attempts to improve air weapon systems.

The most recent development in this area is the contract signed with the Rolls-Royce Company in the United Kingdom.[50] In this $160 million arrangement, China gets the rights to produce the engine which powers the American Phantom fighter-bomber. Such an engine will give Chinese aircraft the capability of flying at twice the speed of sound and operating at Siberian temperatures.

There are small numbers of missile sites, with ranges up to 1500 nautical miles, and a limited number of aircraft for nuclear attack. As yet there has been no sign of an intercontinental missile capability. While far from being a superpower, China is certainly not neglecting to provide for its defense. It is also clear that its international position will not allow it to relax its efforts.

It is clear, beyond any possible doubt, that along with its other accomplishments, the Mao regime has made China a strong military power on the continent of Asia, one capable of defending itself during the period in which it intends to move into the front rank of world nations.

Foreign Trade and Finance

It is in China's economic relations with the outside world that we can see both the socialist nature of its system and its pragmatic flexibility when it comes to important matters. When faced with real need China will buy from anyone. When faced with resistance to its ideological and revolutionary line in the Third World, it is ready to abandon it in favor of long-term good relations. At the same time, its socialist system does not lead it so far as to make it an American manufacturer's dream market. It is certainly not that.

China participates in trade not for the benefit of private parties but only as a part of its overall policies and its planning process.

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[48] "The Tenth National Congress of the Communist Party of China, Peking," 1973, p. 30.
[49] Ta Kung Pao, August 7, 1975, p. 3.
[50] New York Times, December 21, 1975, sect. 4, p. 4.

The Politburo sets the goals to be achieved and the State Council drafts the national economic plan. As the overall plan is divided and subdivided down through the system among the areas of responsibility, it is commented upon and shortfalls indicated. After approval by local people's congresses, it is passed back up the line to the State Council. Now the need to import is known and the capability to export as well.

A National Economic Plan complete with Foreign Trade Plan can now be submitted to the National People's Congress for approval. In essence then, foreign trade is merely a part of the problem of fulfilling the national goals.

The importance of this trade to national plans is obscured when one uses overall economic measures. For example, when compared with world trade as a whole, exports by China are about 1 percent of world exports. Total trade is perhaps now $15 per capita. In addition, exports would be only about 3 percent of China's GNP. Such measures cover over the specific significance of China's trade both as to its economic nature and its direction.

This is one more area in which little information has been released by China. However, in the case of international trade, it is possible to generate good estimates by using the trade statistics of the countries with whom China does business. This has been done by the U.S. Department of Commerce regularly and by the experts who contribute to the Joint Economic Committee reports.

Recently the editor of Ta Kung Pao [51] indicated that the volume of China's trade in 1974 was 7.5 times that of 1952. China now has trade agreements with more than 60 countries and trade relations with over 150. Trade with the LDCs of Asia, Africa, and Latin American in 1974 was 2.8 times what it was before the Cultural Revolution. This latter part of its trade is viewed by China as an effort enabling Third World Countries (itself included) to combat imperialist interests.

If we take the estimate of the American experts for 1952 to be correct at $1,890 million worth of total turnover, then China's exports and imports in 1974 would have been approximately $14 billion. In that year, Japan accounted for about 25 percent, the United States 8 percent, Hong Kong 7 percent, and West Germany 5 percent of total trade. Herein lies one of the unique aspects of China's trade, its orientation toward non-Soviet Bloc countries (usually 80 percent of the total).

The historic pattern of trade of the USSR and of socialist Eastern European countries has been different from that of China. Very briefly, each developed its own economic plans in the course of which it would find its shortfalls and its capabilities to produce a surplus for export. It then would seek to satisfy its needs through its CMEA partners. After that, trade would be conducted with non-Bloc countries. Even then, however, preference as to direction of trade, if possible, would be given to the LDCs.

In its early years, the PRC began to follow this pattern as part of its also following the Stalin model of development. From a total turnover of over $300 million worth of trade with the USSR in 1950,

[51] September 11, 1975, p. 6.

there was a continued emphasis upon this direction of trade until a peak of more than $2 billion in 1959. In several of those years, more than 50 percent of trade was with the USSR. Czechoslovakia and East Germany were next among Eastern European partners. By 1974, however, trade with the USSR had declined to a mere 2 percent of the total and Romania was the leader in China's trade with Eastern Europe. Therein may be seen the consequences and the reality of the Sino-Soviet split.

The impact of political events and the process of economic development as well may be seen in the ebb and flow of China's foreign trade. Take, for example, the important area of imports of machinery and equipment. During the 1950s, the share of such items in imports rose in consequence of the whole drive for industrialization. One-fifth of imports were machinery and equipment in the early 1950's and by 1959 they accounted for close to one half of imports. With the collapse of the Great Leap, a decline set in. Recovery was seen from 1963 to 1966, followed by another decline during the Cultural Revolution years. During the 1970s machinery and equipment are once again important parts of national plans and new peaks are being reached in the dollar value of such imports. Complete plants imported from Western Industrialized countries figure significantly today in China's imports.

The nation which is predominant in China's trade is Japan. Prior to the beginning of war in 1937 this was the case. After the Sino-Soviet split, Japan once again became the leading trading partner of China. For the years 1950 to 1963, China ran an export surplus with Japan. Since then it is Japan which has enjoyed an export balance.[52] China obtains much needed iron and steel, fertilizers, and machinery and equipment from Japan. The most important new development in this trade is the growth of exports of Chinese crude oil. China only began exporting oil to Japan in 1973, but within a year oil was the leading export.

Hong Kong is the second ranking market for Chinese exports, and for many years has been an essential source of foreign exchange. Hong Kong depends upon China for food, for water, in fact for its very existence. The Bank of China occupies a strategic location, next door to the Hong Kong and Shanghai Bank and through it is channeled close to one and one-half billion dollars in foreign exchange earnings over the course of a year. There are another dozen Communist banks (8 chartered in Peking) with about 90 branches throughout Hong Kong, and there are more than 50 department stores operated by Peking, plus countless small enterprises. All earn money for the PRC. Hong Kong is viewed as a China entrepot with a British administration (and Macao a China entrepot with a Portugese administration). It may, or may not, last as such until the end of the British lease in 1997.

The Bank of China is the external arm of the People's Bank of China and has a longer history. Originally the HUPU Bank, central bank of the Ch'ing Dynasty the current name dates from 1912 when it became the central bank of the Republic of China. Under the Kuomintang government it specialized in international exchange.

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[52] An overview of the development of the foreign commerce of China is contained in the article by Chen Nai-Ruenn, "China's Foreign Trade, 1950–74," JEC, "China: A Reassessment," 1975, pp. 617–652.

The present regime continues that specialization for the Bank of China in its branches within the country, while abroad it engages in general banking business in addition to international exchange.[53] In Hong Kong for example people will convert their money into RMB savings accounts (RMB, the people's currency, also known as the yuan) because the interest earned is not subject to the 15% tax imposed on other banks' payment of interest. There are branches in Singapore and London, and the Bank has correspondents in European countries.

The special role of the Bank of China in its Hong Kong location merits our attention. Hong Kong's financial community is an internationally minded group with highly capable staffs. The officials of the Bank of China are in the best possible place to feel the pulse of the entire world economy. It is they who provide Peking with the sophisticated know-how to deal with the intricate problems of international business in an environment which has been racked by the demise of the Bretton Woods system, the oil crises, inflation and recession in important trading partners' economies, and fixing exchange rates for a currency (the RMB) which is not traded on world markets.

Two recent developments of interest in Hong Kong deserve notice. In October, 1975, the Bank of China began accepting US dollar deposits on fixed terms (e.g., a one-year fixed deposit earns 5 ¾ percent interest). In November, an agreement was reached between Esso and the China Resources Company [54] under which the latter will buy an oil depot on Ngauyingchau for $4 million. Esso is building a site (for $11 million) in which it will consolidate its facilities and offices and build a pier for 110,000-ton tankers.

China does not belong to the IMF, and hence cannot belong to the World Bank. A flurry of speculation occurred in the fall of 1973 when Peking communicated with the IMF concerning the representation of China. Nothing was forthcoming, however. Membership requires the release of information which China has not been willing to disclose: gold production and holdings, value of imports and exports, details of trade data, balance of payments records, national income, indebtedness, and whatever else the IMF needs to carry out its mission.[55] So far China has been secretive about all this type of information. In addition China has asserted its determination to avoid foreign debt. But as with everything else, the leadership responds to change and reverses itself whenever conditions require.

As to the RMB itself, China publishes regularly whatever change is deemed necessary in the exchange rate. It is likely that a basket of currencies and perhaps some commodity prices are the basis for the calculation. No official explanation has been given. Perhaps the most important aspect of the rate for the RMB is the effect it has upon the collecting of foreign exchange earnings out of Hong Kong. Through control of its own prices and of the exchange rate vis-a-vis the Hong Kong dollar, China determines the level of foreign exchange it earns

[53] See the book by Tadao Miyashita, "The Currency and Financial System of Mainland China", Tokyo, The Institute of Asian Economic Affairs, 1966, ch. 5.

[54] China Resources Company is a general agency for the Foreign Trade Corporations of China operating under the Ministry of Foreign Trade.

[55] See the discussion by David Denny, "International Finance in the People's Republic of China," JEC, "China: A Reassessment," 1975, pp. 673-676.

in Hong Kong, and this level is vital to the balance of payments with the world at large.

It should be noted that the policy of the Bank of China derives from its parent, the People's Bank of China. It is the latter which is the central bank, carrying out all the banking activities required of such a bank as well as supervising all the banks in the system including the Bank of China. Generally conservative, and determined to prevent shocks to the economy, stability has been the goal of banking policy. (This has been an important aspect of Mao's general thought that the masses must be involved in everything that is done, in this case earning their trust via handling their money responsibly.)

The Third World

One of the foreign policy successes of the Chinese leadership has been its reestablishment of good relations with Third World countries after a period in which it was repulsed. During the early days of the First Five Year Plan, Chou En-lai had begun with the soft line that "revolution cannot be exported." This approach was a huge success at the Bandung Conference of 1955. This was a time of the beginning of a resurgence of Africa and Asia, and many attending the conference were anti-Communist. Chou En-lai's persuasiveness won many friends, both at the conference and for several years thereafter. By 1965 things had changed however.

The Sino-Soviet split made its effects felt in the diplomatic field through open disagreement on policy objectives and fierce competition for position in Africa and Asia. Attempts by China to convene Afro-Asian conferences in 1965 were unsuccessful because of the preference of many to remain unaligned internationally. When, in January, 1966, a Tricontinental Congress (Africa, Asia, Latin America) was held in Havana, China was already in the position of having cut trade with Cuba. When Cuba then sided with the USSR, China had lost leadership to the Soviet Union.[56]

The groundwork for this situation had been laid throughout 1965. And it was all China's own doing because of its militant revolutionary stand and its bitter hatred for the USSR, which after all was a source of aid for a number of Third World countries. Country after country cited Chinese interference in its affairs, attempts to subvert legal governments, and attempts to buy support. In June, 1965, when Chou En-lai visited Tanzania, President Nyerere informed him publicly that his country could not be bought by anyone.

When the Cultural Revolution got under way, China's position worsened. The year 1967 was extremely bad. Ties with Indonesia were suspended. Chou En-lai had to make public apology to Cambodia for the subversive propaganda. The aid mission had to be withdrawn from Burma after riots broke out in reaction to the Chinese attempts to spread the Cultural Revolution to Burma. One by one ambassadors were brought home until only Huang Hua was left, in Cairo.

The recovery of China's foreign policy in the 1970s has been remarkable. Its aid programs are realistic, helpful, avoid the militant propaganda of the early days, and have the supporting argument of

[56] The history of this period is recited by Chen, King C., "Relations with Third World and Intermediate Zone Countries," "China, A Handbook", ed. Wu Yuan-li, Newton Abbot, David & Charles, 1973, ch. 15.

the success of China internally. In official speeches before world bodies, its representatives speak of a new international order, elimination of poverty, and the bankrupt policies of the two superpowers.

Li Chiang, Minister of Foreign Trade, for example, spoke to the 7th Special Session of the UN General Assembly on September 2.[57] The exploitation by imperialist powers of which he spoke had been known at first hand by China. The starvation and poverty under discussion had been not only experienced but overcome by China. The Chinese model offered for emulation made sense: agriculture first; then light industry; last, heavy industry—reversal of the Stalin model! "Self-reliance" but not rejection of external assistance. Small enterprises, built from scratch, expanded step by step, constitute independent development of a national economy. Mix with these points criticism of the superpowers and one has a successful foreign policy line.

Yang Li-Kung, vice-Minister of Agriculture and Forestry spoke at the UN Food and Agriculture Organization conference on November 14, 1975, saying:[58]

> The development of food and agricultural production by the Third World is an important component of the current international struggle in the political and economic spheres. The solution of this problem is closely linked with the struggle against colonialism, imperialism and hegemonism and the struggle to destroy the old inequitable international economic order and establish a new international economic order.

The year 1970 was the beginning of the new phase in China's foreign aid program, and the year of the highest commitment ($700 million). During the years 1970–74, a total of $2.4 billion was committed in economic credits and grants, more than 60 percent of which were extended to Africa. For the entire period of the program, 1956–74, China provided total economic credits of $3 billion and about $500 million in grants.

Along with the new efforts in economic assistance, there has been a continuation of and slight growth in military aid. During the last five years, China has provided $300 million of military end-items to LDCs, compared with $250 million during 1956–69. Seventy-five percent of military aid has gone to one country—Pakistan. Tanzania ranks second as a recipient of military assistance and there have been a total of 18 clients altogether. China, however, represents no serious competition for the USSR in this field.

Economic aid agreements offer long grace periods and amortization without interest. The PRC will accept goods in lieu of convertible foreign exchange, a feature which is important to aid recipients. Free technical assistance is also available, the total of which may add $1 billion to the total value of economic assistance.[59]

About one-third of total economic aid has been for transportation systems: ports, roads, bridges, and railroad networks (the largest single project being the Tan-Zam railroad). Another fourth has gone to light industry, an insignificant sum to heavy industry, and one-sixth for agricultural development. Chinese technicians are not only capable and hard-working, but can live on the same consumption

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[57] Carried in Ta Kung Pao, September 4, 1975, p. 9.
[58] Ta Kung Pao, November 20, 1975, p. 8.
[59] Summary data may be found in the article by Carol Fogarty "China's Economic Relations with the Third World," JEC, "China: A Reassessment," 1975, pp. 730–37.

level as the local population. In addition, their projects are organized to draw upon local populations. When further technical training is required to be developed along with the construction of a project, other local citizens will be sent to school in China (for example, training in the operation of a railroad while the Tan-Zam is being built).

Beyond the aid programs is the matter of ordinary trade. About one-fifth of China's trade takes place with the LDCs. Benefits to both sides are obvious. Agreements to insure steady flows of commodities are needed by both parties. Stability can be counted upon more with China than with Western market economies. The LDCs as a group are important markets for Chinese products and in some cases are important sources of hard currency with which to balance China's payments vis-a-vis industrial countries.

Sino-American Trade

Although the PRC has over twenty-five years of experience in foreign trade, the United States only figures in the last four. Once the war in Korea began and the Chinese became involved, in 1950, there followed mutual seizure of assets and the rapid movement of trade toward zero. It was not until the visit of President Nixon in February, 1972, that both parties agreed to initiate removing restrictions on trade, and to proceed to "normalizing" relations.

Once trading possibilities were reopened, China proceeded to raise importing from the U.S. rapidly to a level of about $800 million a year. The United States, on its part, did not follow suit, as the following tabulation shows: [60]

TABLE 3.—UNITED STATES-PEOPLE'S REPUBLIC OF CHINA TRADE

[In millions of U.S. dollars]

	U.S. exports	U.S. imports	Imbalance
1972	63	32	31
1973	740	65	675
1974	819	115	704
1975	250	150	100

This reopening coincided with a new phase in China's participation in the international economy. During the 1950s there was an expansion in every year through 1959. During the 1960s there was a drop-off until 1970 when the level of 1959 was regained. In the past few years, the Fourth Five-Year Plan, trade has risen dramatically. As one looks at the figures above one seeks to know what explained the sudden growth and what explains the recent decline.

There was a great need for rebuilding reserve food supplies in China (after the poor 1972 harvest) and the need coincided with the fact that its traditional suppliers would not be able to meet the increased demand. Hence the orders were placed with the United States. The same holds true for cotton. And when crops improved in 1975, the orders were simply eliminated. Why was it the American orders which were cut? It seems plain enough—trade with the U.S. was extremely

[60] Data from the US Department of Commerce contributors, Clarke and Avery, "The Sino-American Commercial Relationship," JEC, "China: A reassessment", 1975, pp. 512–14.

imbalanced and we had made little visible progress in "normalizing" relations with China since 1972.

The leading US exports to China in 1974 had been:

[Million $U.S.]

Wheat	234
Cotton	186
Soybeans	138
Corn	96
Aircraft and parts	60

These categories accounted for 87 percent of American exports to China. By contrast, American imports from China were insignificant in nature and inconsequential as to value.

The leading items in 1974 were:

[Million $U.S.]

Cotton, fiber, fabric	25.6
Tin	9.4
Rosin	7.9
Artworks, antiques	7.8
Fish and shellfish	7.1

These categories accounted for 50 percent of US imports from China.

The largest equipment order from China was that placed with the Kellogg Co. of Houston to furnish the PRC with eight ammonia plants. These are important parts of the program to improve agriculture. Flying China's new international routes are US-made Boeing 707s. Satellite station equipment has been obtained from RCA and from Western Union.

Our share in China's imports of manufactured goods from industrialized countries deserves our attention. Of a total of $3.2 billion of such items in 1974, the United States accounted for a mere 4.4 percent. And of a total of $951 million of manufactured goods imported from China by industrialized countries, we accounted for only 8.5 percent.[61]

China, of course, is not a country into which a business can move and start to exploit a market. The national economic plan is the basis for the foreign trade plan. The Ministry of Foreign Trade carries out that plan through the eight Foreign Trade Corporations. If a business expects to sell to the Chinese it begins by establishing contact with one of these FTCs and if the correspondence goes well it will be invited to one of the regular Fairs in Canton. At the Fair, it is not salesmanship which generates business but whether the American firm meets a specific need and at a very competitive price.

Once a firm begins to work within this system there are not the restrictions upon American goods that we have surrounding imports from China. We still have high tariffs on Chinese goods, 100% to 300% higher than on the goods from nations whose goods are admitted on a Most-Favored-Nation basis. There are also many and varied red-tape type matters and administrative regulations which the Chinese find irritating. U.S. importers have to make payment through third-country banks because the matter of frozen assets on both sides has not been settled. All these conditions stand in the way of the ability of China to earn dollars and thereby continue to import American goods and American equipment.[62]

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[61] See "The United States Role in East-West Trade", U.S. Department of Commerce, 1975, p. B-26.

[62] See the article by Eugene Theroux, "Legal and Practical Problems in the China Trade," JEC, "China A Reassessment," 1975.

Part IV. Implications for U.S. Policy

If there is anything that should be clear to us all, whether Senator, President, Secretary of Defense, Chief of Staff, or member of a "China Lobby," it is that the people of the United States of this generation will not tolerate involvement in another war in Asia. And a corollary of this is that whatever our policy toward China, it must be clearly conveyed to and understood by the people. These are the first and most important things to bear in mind.

Next, in formulating our policy for the years between now and 2000, we must have a sense of the historic dimension of China:

The period of time which has constituted the focus of this paper begins with the victory of the armies of Mao Tse-tung in 1949 and ends with a glimpse through Chinese eyes to that year 2000 when China contemplates being "in the front rank" of nations. If we were to compare the span of Chinese history—from the beginning of the Western Chou in 1122 B.C. until the year 2000—to one year, then these years, 1949–2000, are the equivalent of less than one week. In this context of time we stand today half way between Christmas Day and New Year's Eve, and we are asking ourselves what it will be like on New Year's Day.

This should remind us to keep in mind long-term goals while we deal with short-term problems.

The Chinese-Marxist World View—Where Is It Taking Us?

During the years we have left in the twentieth century, there is something both we and the Chinese have to examine, and we must hope we can do it together. I refer to the place of China in world history. This is important for out of the view the Chinese leadership holds of that place there comes its current world view and hence its foreign policy. The same holds true for ourselves and our view of the evolution of China. The exchange of scholars is helpful in a matter of this nature.

Earlier in the paper the experience of the leadership in trying to promote revolution and revolutionary elements in Third World countries was related. As increasing resistance was encountered and these attempts were rebuffed, Chinese policymakers realized they had been mistaken and the policy toward the Third World was changed. The simple Marxist view of the world and its readiness for revolution had not served them well. It is fortunate these events happened under circumstances which did not lead to war.

The Chinese vision of the Chinese past has been very vivid—to them. Their vision of the past history of the world outside China has not been so clear. This is so because of the pre-Mao view of history, the state of the subject in Chinese higher education, and the more recent imposition of the Marxist framework.

Ties with the USSR appeared for a time to provide the linkage of the Chinese past to the world's past. The loss of that linkage created the need to find new perceptions. Evidence of this is found in the great publicity given to new archaeological finds, in "confessions" by university historians of having taught error, and in the anti-Confucius campaign itself.

Nowhere in the world has there been a figure so revered and so ingrained in the life and institutions of a single people as has Con-

fucius. Consider the impact of a nation-wide campaign to criticize such a figure. Articles and speeches everywhere downgrade him. A serialized cartoon strip reveals his sins and his crimes against the people. There is developing a Chinese-Marxist view of world history and we must be sure we understand where it is taking the Chinese, and ourselves. Mao is not the first revolutionary to attack or reform Confucianism—but his criticisms and his programs have the ring of ideas whose times have come.

More than a century ago, during the peasant-based Taiping Rebellion period, the attempt was made to destroy Confucianism. The attempt failed, as the Rebellion failed, because the leadership was incapable of carrying out a revolution and its members never made the impact upon the whole society which would have been necessary.

Eventually it was Sun Yat-sen who launched a successful campaign against the Manchu and toppled a 2000-year old institution. Gone with it was the Mandate of Heaven, already in jeopardy under the tyranny of the Manchu of that time.

> In the absence of either a dynastic succession or a party election, how was an administration to be legitimized? Just at the moment when nationalism had triumphed in theory, the Chinese Republic suffered a decline of central power in fact, and modern patriots in addition to the continued burden of China's semicolonial status under the unequal treaties now had to bear the further humilitation of political chaos.[63]

Out of the period of warlordism which ensued, there gradually came a Nationalist revolution, the Kuomintang, and the rise of Chiang Kai-shek. The government of Chiang was one of party dictatorship which at the same time attempted modernization of governmental administration. His writings set forth his goal of a totalitarian rule with Confucian principles.

We should now be able to see more clearly that the current campaign against Confucius serves several purposes: Basically, Confucianism represents what is old, feudal, and a barrier to progress. It can even be associated with the regime of Chiang Kai-shek in recent history. And it is associated with the old ideal of the scholar who does no work, an ideal which is anathema today.

Mao Tse-tung, if we may use old Chinese terminology, appears to hold the Mandate of Heaven, for he has worked for the people rather than exploit them. His revolution, his military campaign, his economic development program—all have been closely associated with the peasants. Chiang Kai-shek, in his writing, explained he would conscript farmers and make them all soldiers. Mao carried out a military campaign which enjoyed the support of the peasants, it in fact was successful because of them. Today, his program brings economic development to them.

We have often been bitterly attacked by the Chinese leaders. At present we experience some surcease, having been replaced by the USSR as chief enemy. But even our ally Chiang bitterly attacked the Western domination of China through the unequal treaties and blamed all of China's ills on those treaties.

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[63] John K. Fairbank, "The United States and China," 3d ed., Harvard University Press, 1971, p. 196.

On Not Losing the Momentum Toward Good Relations

We Americans have not proceeded rapidly in the direction of normalizing relations with China, perhaps because we have not appreciated the impact of Sino-American detente and the potentialities which lie in the re-alignment of Asian relationships. But basically it must be realized that differences of opinion exist in both countries concerning proper Sino-US relations.

When it comes to listing the enemies of China, one would think Japan would occupy first position.[64] The long war with Japan cost many millions of casualties and many billions of dollars of destruction. And it was a Japanese invasion of China! Nothing any country has done to China compares with it all. Yet, Japan today occupies first place in China's trade. And it is the USSR which occupies first place as an enemy of China.

China and Japan would probably still be cold war enemies except for our re-opening of contact with China. Until that time, both had had good grounds for regarding each other as enemies. Instead, under the impact of our new relationship with China, they have mutually restored diplomatic relations.

In the 1950s, Japan saw itself identified by China and the USSR, in their security pact, as the principal enemy (being accused of harboring latent imperialist elements). It observed China enter the Korean War and Japan was also one of those countries in which the Chinese supported the local Communist Party. During the 1960s, China observed Japan support the United States in Indo-China, restore relations with South Korea, and continue in a posture of non-recognition of China. China's development of nuclear capabilities further served to reinforce the stand-off.

Suddenly, with friendly contacts restored between China and the United States, all this could be swept away, and was. The long-term value of a Japan-China-U.S. alignment should be examined for all its benefits and costs. The early establishment of full diplomatic relations between the United States and China might be seen to be the logical outcome. If Hearings under the auspices of the Congress are the best way to launch this examination, they should begin at the earliest convenient moment.

Major Power Interactions

One of the most significant of the implications for the United States is raised by Dr. John P. Hardt, editor of the Joint Economic Committee studies on China. It is that of the 4-power interaction, Japan-China-USSR-U.S., in the fields of energy, metals, and high technology. The political interrelationships are entwined with the commercial. This is a most complicated subject, which can only be introduced here. But we can consider some of the aspects.

Asiatic USSR is a territory larger than China and India combined. It contains vast resources of gas and oil, grainland, copper and other metals, hydroelectric power sources, coal and timber, and it figures heavily in Soviet development plans. Its border is manned by about half a million troops. All the resources are under exploitation, the

[64] A thoroughgoing discussion of this subject is contained in the article by Gene T. Hsiao, "Prospects for a New Sino-Japanese Relationship," The China Quarterly, December, 1974, pp. 720–749.

transportation system has been improved, and in the Far East the ports of Nakhodka and Vostochnyy have been expanded and modernized. Japan has figured in these plans with credits and the USSR has made several offers of joint ventures to Japan.

The People's Republic of China has quite naturally been disturbed by these developments and its response has been to expand the economic ties between Japan and itself. Japan is of especial importance to China. It is the third ranking national economy, one with high technology to offer, and one which is a large consumer of petroleum. Following upon the reopening of diplomatic relations, there came the negotiation of trade agreements under "most favored nation" conditions. Thus, China has arranged for itself a large market for its newly developed oil resources and assured for itself Japanese steel and machinery.

Japan is a natural market for the PRC, if that term can be applied to any country. The short distance between the countries, the complementarity of their stages of development, and the political positions of both make for continuing trade relations. Japan has shown itself aware of the risk to its China trade of being involved in the development of Asiatic USSR. As for China, it has to be sure to be able to offer adequate port facilities and large enough contracts to maintain Japanese interest.

Any United States involvement in Siberian economic development runs the risk of damaging its future relations with China. China, and certain Japanese factions prefer seeing the Soviet Far East, and Siberia as well, remain undeveloped. Our Western, market-oriented economic thinking leads us to support trade and investment wherever beneficial and wherever needed. But in this case, the political ramifications of 4-power inter-action are so complicated as to render that approach insufficient. And as to the resolution of the matter in this paper, that is beyond the capability of the author. But the question is highly important, and it is essential that it undergo extensive and intensive examination.

On Increasing Trade With China

It is quite difficult to find a satisfactory method of forecasting the future of US trade with China. It is not a mere matter of market research, promotion, and selling. China determines its import needs officially in accordance with its national economic plans. Those needs are not going to include large orders for consumer goods. The PRC is a developing country needing resources and equipment for the purposes of development. It will shop for those items on the basis of utility and price, but after it has determined the political acceptability of trade with a foreign country.

Looking at what has taken place in US-China trade, once contacts were renewed, China did place large orders for American products. We, on our part, did not reciprocate. Such a relationship cannot long continue; the imbalance is too great even though the PRC does trade multilaterally.

We can learn from the Japanese experience. The clearing of the air by the visit of President Nixon to Peking made possible the restoring of diplomatic relations between Japan and the PRC. This was later

followed by a trade agreement and the exchange of Most-Favored-Nation treatment.

The Shanghai Communique of February 27, 1972, had said: "Progress toward the normalization of relations between China and the United States is in the interests of all countries." The Chinese statement reiterated that "The Taiwan question is the crucial question obstructing the normalization of relations between China and the United States." The US response was to affirm its interest "in a peaceful settlement of the Taiwan question by the Chinese themselves."

The Taiwan question is admittedly a difficult one. But it surely is not best resolved without the processes available when diplomatic relations exist between two countries. And with diplomatic relations, trade can be discussed on MFN terms. Some analysts believe MFN treatment would yield a 15–20 percent increase in trade now and full normalization would bring an increase of up to 200 percent later.[65]

Our problem areas have festered for a long time. They are all quite difficult to resolve. And this is why we should begin now to understand them in all their facets.

What are some of these problem areas?

(1) CONSIDER THE BLOCKED-ASSET QUESTION

Because the matter of mutual blocking of assets has not been resolved, there can be no direct shipping, no direct airline connections, and no direct banking facilities. How valuable are the assets? Americans claim $197 million held by China and place a value of $76.5 million on the assets blocked by the United States. Surely, the benefits of direct shipping, direct airline connections, and direct banking facilities would in a short period of time prove their worth to us. This is the opportunity cost of further delay in settlement.

(2) THE MOST-FAVORED-NATION TARIFF QUESTION

Given the low level of U.S. imports from China, on the one hand, and the exorbitant prices put upon Chinese products in American stores on the other, it is difficult to point the finger at the tariff alone. Presumably the elimination of the abominable 70 percent charged on many items by U.S. Customs would make possible lower prices for those goods at the retail level.

The absence of MFN treatment for China would seem to have more of an effect at the exporting end where the direction of trade is determined. Extension of this facility to the PRC would likely stimulate the exporting effort in the area of putting in the forefront the resolution of the problems which exist in the marketing of Chinese products.

MFN treatment must be related to the whole question of status in the international economy. So far as China is concerned, denial is discriminatory and another of those nagging items in the way of better political relationships between us.

From our point of view, our imports from China are at present insignificant to the extreme in our total trade picture.

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[65] Clarke and Avery, *op. cit.*, p. 523.

(3) THE MARKETING PROBLEMS

China maintains a large number of department stores in Hong Kong, quite a few of them in the tourist areas. Japanese, Americans, Germans, in fact all tourists do a great deal of spending in these shops. China has no difficulty selling its products; it merely has to set them out visibly for sale. There it does not have to meet U.S. Government requirements; there it does not have to market in the face of competition from American producers.

Packaging to meet American standards, satisfying our governmental regulations, selling to compete with the hard-sell approach so common in the United States—these involve marketing methods foreign to Chinese experience and in some cases offensive to their taste. At least the former is something that can be resolved. We can provide information on requirements, and we can provide professional marketing knowledge. Surely our business schools would be willing to help.

The PRC and a New International Economic Order

If there is to be a truly international economy, centrally-planned countries need to be a part of it, and Third World countries have to be assisted to the point of viability in the international economic environment.

It is indeed regrettable that we have spent a great deal of our wealth assisting countries of the world and yet find ourselves in the position of being roundly criticized in the UN Assembly, for not having done enough. We should not have gotten into this position, but we must figure out how to improve the situation.

There are many voices in the world today talking in terms of a "new international economic order." China's leaders have a great deal to say on the subject. Let us make sure our voice is heard.

Li Chiang, China's Minister of Foreign Trade and chairman of the Chinese delegation at the UN General Assembly Special Session on September 2, had this to say.[66]

> There is a growing struggle on the part of the countries of the Second World, which lies between the super-powers and the Third World, to free themselves from the control, threats, bullying, exploitation and the shifting of economic crisis by one or the other superpower. More and more Second World countries favour dialogue with the Third World countries and are making efforts to establish cooperation with them.
>
> The oppression and exploitation imposed by imperialism, colonialism, neo-colonialism and hegemonism are the root cause of their poverty and backwardness and constitute the greatest obstacle to the development of their national economy.

Such slings and arrows ought to make us aware of something we are not doing—and that is taking the lead in designing a vision of the future of the world economy. Problems of Third World countries and good long-term relations with them are vital both to us and the PRC. Having an ambassador to the UN regularly speak with conviction of a positive future commitment to world economic development—that would be leadership that would counter Chinese charges of the nature of Li Chiang's speech.

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[66] Speech quoted in Ta Kung Pao, September 4, 1975, p. 9.

China today is militant in an economic sense, and also in a political sense; it is not a strong military power. By contrast, the USSR is militant in all senses. If there is a clear and present danger to the United States it comes not from China. If there is to be a future danger from China, it will be at least partially because we did not take advantage of the time in the present to deal with China as a challenge instead of a threat.

The Chinese do not respect you if you do not know who you are and what you stand for. Any dealings with them must be direct and clear as to the area of bargaining, practicable and pragmatic as to solution, and honest as to commitment. And there must be mutual benefit in the outcome.

It is true that we cloaked our vast foreign aid programs in a policy of containing Communism. It took years to get acceptance of economic aid as something good in itself and of future mutual value on both sides. And when this stage was achieved, unfortunately we were already enmeshed in an unsuccessful war in Indo-China.

An important part of our policy response to the Chinese Challenge is to emphasize to our people and to the world that we recognize that economic assistance to the Third World is in our own future interest and to our own future benefit as well as to the countries involved. If this comes to be our response, we will do well with the Third World.

Reflect on the time when we saw the USSR and China as one monolithic enemy force. A future holocaust seemed to stare us in the face—so we thought. Now that we see them apart, it is imperative that we seize the opportunity to shape the future.

Further Matters for Hearings and Study

As has been indicated earlier in this paper, our relations with China, and through China to other nations, are so intricate that it will take the combined effort of many knowledgeable people to chart our way. In this last part of the paper will be listed just some of the problems involved, each of which could be the subject of a separate paper. Let us briefly consider a few of these:

(1) ALTERNATIVE LEADERSHIP OUTCOMES

The leadership to which we have become accustomed in the last several years, despite the vicissitudes of the Cultural Revolution and the often bitter propaganda line, at least seemed bent upon a rational future course. Now Chou En-lai is dead and we have been observing some turbulence in the Party leadership. Before long Mao Tse-tung will be gone from the scene, and our worry is that a future leadership may revert back to the days of bitter enmity.

Whereas Chou En-lai was not impatient concerning Taiwan and appeared willing to await a peaceful resolution of the problem, one more radical than he might take a quite different and dangerous approach. For ideological reasons alone such a leader might also demand the return of both Hong Kong and Macao. We don't expect these events to happen, but with a change in leadership there is the possibility to be considered. Only if China benefits from the current arrangements can we expect things to continue as they are.

(2) CHINA, NOT A SUPER-POWER? THEN WHAT KIND?

In many places and in many ways China never ceases to proclaim that it will not be a super-power. This may indeed turn out to be the case. The progress made by the U.S., and by the USSR, may move those two nations farther ahead of the PRC as time goes on. Despite the achievements of the People's Republic between now and the year 2000, it may not be enough ever to close the gap.

But may we not take the denial of the goal as simply indicating that defense of the homeland is all that can be accomplished today? Other events, such as the development of nuclear capability and the launching of satellites perhaps presage a different indication of the goals of the PRC.

One thing is clear, and that is that China is using this policy line to promote itself as the spokesman for the Third World. It has not won over all Third World countries to its cause, but there is no doubting that China has made much progress in this direction by criticizing the Super-powers and denying any ambitions toward that status. At the same time, China has not been invited to membership in the Group of Seventy-seven.

China may be expected to break out of the category of Less Developed Countries before long. Hopefully our Hearings would yield the answer to the question, When? and also to the question, What will be the turn taken by its foreign policy line when that time comes?

(3) FOREIGN POLICIES AND THEIR EFFECTS

Just as we try to estimate the capability of the People's Republic to carry out its foreign policy objectives, so does the Chinese leadership face a similar problem. The United States and the Mao regime began their first contacts not in peace but in war. Until recently this completely colored the view each held of the other.

How, today, does the Chinese leadership see its alternatives in dealing with the United States? The economic cost of enmity versus the economic benefits of trade are surely part of their considerations.

Seeing the American withdrawal from Vietnam, the coming withdrawal from Thailand, and the tolerance of growing international isolation of Taiwan, the leadership surely gives these events considerable weight in their calculations. Our actions at least imply concession to China of a growing sphere of decision-making. The security of East Asia is more in China's hands today than in years past.

They must wonder what delays our implementation of the Shanghai Communique. Why are the impediments to trade not done away with? Why is the U.S. not elevating the level of diplomatic contacts? Perhaps Hearings will enable these questions to be answered.

(4) CHINA, OURSELVES, AND THE UNITED NATIONS

It was expected by many that the admission of the People's Republic of China to the UN would result in the ruination of that body. Instead, an entirely different set of circumstances has come about. True, China has used its membership to present its own views and promote its own cause. But as it has done so it has found that it is at times revealed to be inconsistent internationally.

When consistency is sacrificed to expediency in the UN arena, a nation's true self is laid bare. Foreign policy is no longer a simple matter of propaganda. China has backed designating the Indian Ocean as an area to be free of Super-power competition. It has also attacked Indian expansion. Yet on behalf of its own interest in the South China Sea it did seize the Hsisha Islands.

The Chinese fought a proposal of the USSR to cut military budgets and create a fund for aid to poor countries. This was a real test of its line toward the Third World. Also, the very existence of Bangladesh became an embarrassment to Peking, for it had supported General Yahya Khan in Pakistan. Further, China criticizes the nuclear powers yet expands its own nuclear capability. These are just some of the tests faced by China in the UN.

There are many areas of opportunity to be pursued in the open forum of the United Nations. The more China participates in this body, the more we can get to know how its leadership is thinking. The more the UN is viewed by China as an arena of competition, the more peaceful the nature of the competition. The United States needs to send the best representatives possible to join in that competition.

Hearings in the Congress can expose our opportunities, improve the information base, help us to formulate sound policy, and serve to strengthen our international position in the United Nations.

Economic Development in Communist China

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This text is an extension of a previous study, covering the period from the 1930s to 1959, published by the present writer in 1965. The results of the earlier study (amended) are included in the final table. Economic progress was violently interrupted by "The Year of the Great Leap Forward" (1958), when, as a result of misinformation about agricultural labor requirements and hysterically falsified statistics, it was claimed that agricultural output was being doubled in 1 year, and that immense transfers of labor to other employments were immediately possible. The result was acute agricultural shortages, indeed famine in 1960–61, and complete disruption of industrial production. Recovery from these disasters took several years. A lesser interruption (to industry but not to agriculture) took place in the "Cultural Revolution" of 1966–67. Those to whom the idea of a labor shortage in China appears paradoxical must be reminded that China has few draft animals and still fewer tractors. To cultivate a country the size of China with hand hoes requires several hundred million workers. Chinese population is probably substantially lower than is generally believed, and almost certainly has not been expanding at the rate of 2 percent per year frequently attributed to it. Famine conditions in the early 1960s caused a considerable reduction in the rate of population growth. Publication of Chinese official statistics virtually ceased in 1959, and sources of information for subsequent years are indirect and complex. The basis of the methods used is the construction of estimates of agricultural output and industrial production index numbers, supplemented by information about employment and wages. Almost all attempts hitherto to state China's (and other developing countries') national product in dollar terms give results considerably too low. The yuan has a high purchasing power over services and over some labor-intensive commodities. For a true comparison all Chinese consumption of food should also be revalued at U.S. retail prices. On this basis Chinese 1971 gross product per head, expressed in U.S. dollars of 1974 purchasing power, was $154 for food, $140 for other private consumption, and $157 for investment and government services, or $451 in all. The long-run rate of increase of real gross product per head of population

[*Journal of Political Economy*, 1976, vol. 84, no. 2]
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has been about 2 percent per year, whether we take the 1930s or the early 1950s as our starting point. This rate is a little below the general average for developing countries, and much less than is usually claimed. Inequalities in income distribution in China are also not very different from those prevailing in other countries.

The valuation of China's national product in dollar terms was pioneered by Hollister (1958), by Liu and Yeh (1963), and by Ishikawa (1965). A previous study by the present writer (Clark 1965) made a valuation up to 1959 and serves as the basis for the present study.

As is well known, it is far more difficult to obtain information for the years since 1959 than for the previous period.

Chairman Mao had bad advice on agricultural economics. He believed that about one-third of the agricultural labor force of China was unoccupied (Mao)—"under present conditions of production there would be a one-third man power surplus in the rural areas"—and could therefore be transferred to other employments without reducing agricultural output. Who gave him this misinformation nobody knows—perhaps advisers from other Asian countries with different climatic conditions and methods of cultivation. So far from having a vast reserve of unoccupied labor, Chinese agriculture, except in midwinter, was subject to labor shortages. This was made perfectly clear in Buck's surveys (1964) in the 1930s, as well as from other sources of information.

To those to whom the idea of labor shortage in China seems paradoxical, it must be pointed out that China, even now, has hardly any tractors and few draft animals. If you take a country the size of China and have to plan for its cultivation with hand hoes, you are going to need several hundred million workers.

Rarely has the ruler of a country been so grossly misinformed, and probably never with such utterly disastrous consequences. For in 1958 Mao decreed "The Year of the Great Leap Forward," in which the whole farm population was forcibly grouped into communes. According to contemporary reports, families were to be broken up, to live separately in communal dormitories, and only to meet each other once a month. This program may indeed have been intended but was not carried out. Farm labor was diverted, apparently to the extent of 100 million or more, to industrial employment, to the construction of dams and roads (mostly by unaided man power, without mechanical equipment), and also to fantastic projects for producing steel and cement in small backyard furnaces.

The chaos was compounded by the complete breakdown of the Chinese statistical system, which has never since recovered. There has in fact been an almost complete suppression of statistical information from China ever since, and estimates have had to be prepared by indirect methods (table 10).

The suppression of all official statistical information does not prove, but certainly indicates, that economic results have been disappointing. The principal sources of information (as will be seen from the references) are *Current Scene*, published by the U.S. Consulate-General in Hong Kong; publications of two private Hong Kong research organizations, *China News Analysis* and *Union Research* (publisher of *Communist China*); *China Quarterly* (published in London); and also material assembled by Swamy (1973) and by "Economic Indicators for China" (1974).

Chinese officials now recognize Chairman Mao's mistake, though his mistakes are still shared by some foreign economists. "I think that the marginal product of a worker in agriculture is less than his consumption," wrote Tobin (1974). "Our Chinese hosts disagree . . . they repeatedly claimed that there was a shortage of labour in agriculture."

The Chinese population is not known within wide limits. A census taken in June 1953 indicated a population (excluding Taiwan) of 583 million. This figure was accepted at the time by most (though not all) of the outside critics who have studied the available evidence. Subsequently, however, more doubts have been expressed.

The official demographic adviser to the U.S. State Department, whose figures are quoted in the report on China prepared by the Joint Economic Committee (U.S. Congress Joint Economic Committee 1968), accepted a statement made in some Chinese official publications in the 1950s (though not repeated subsequently) to the effect that the Chinese population was growing at a rate of over 2 percent per year, and he has gone on woodenly adding these percentages to the original census figure, to end up with over 900 million for 1974. Similar high figures are given by Swamy (1973) and "Economic Indicators for China" (1974). But they must be disputed. If the population were indeed as large as this, the food situation would be far worse than is described below.

An estimate (Clark 1966) making use of all the available information on deaths, births, and the age composition of the population indicated an average rate of increase between 1953 and 1958 of 1.6 percent per year. In the troubled years 1958–63 it was estimated (admittedly on very little evidence) that the rate of increase fell to as low as 0.4 percent per year, recovering to 1.1 percent per year after 1963.

The official *Chinese Atlas* in 1957 estimated the growth rate at only 1.3 percent (birth rate 25, death rate 12 per thousand). The experienced demographer Spengler (1962–63), on the other hand, referring to the early 1960s, estimated the average completed Chinese family at 6.2 (Buck [1964] estimated about 5.5), giving a crude birth rate of 40 per thousand but a death rate of 32.5, or a rate of increase of only 0.75 percent per year.

A leading authority on Chinese population, L. A. Orleans (1969, 1972, 1974), agrees with 1.6 percent per year for 1953–58 but estimates much

TABLE 1

China's Population

A. Population Increase (% per Year)

	Orleans	Clark	Compromise
1953–58	1.6	1.6	1.6
1958–65	1.4	0.4	0.9
1963–70	1.4	1.1	1.25
1970–75	1.3	1.1	1.2

B. Midyear Population Estimate*

	Population (in Millions)
1953	583
1958	635
1963	664
1970	724
1975	768

* Based on 1953 census and compromise rates of increase.

less decline in the rate of growth in 1958–63. Since 1963, falls in the mortality rate, he estimates, have been matched by a decline in births. There is certainly evidence that there has been an active campaign for family limitation, first in the cities (partly perhaps in view of an acute shortage of housing) but now in the countryside also (table 1).

Higher figures have certainly been quoted, but there has been a general tendency to revise them downward (see table 1). "For five years [after 1957] official Chinese statements used a constant figure of 650 million. This was raised to 700 and eventually to 750 million, but the editorial published in the *People's Daily* on New Year's Day 1970 reverts to quoting a figure of 700 million" (Klatt, private communication). Field (1970*a*) prepared estimates for each province and large city for 1970, totaling 729 million, very close to the above estimate (he also quotes the official estimates for 1957, totaling 650 million, but points out that these were based on assumed growth rates since 1953 averaging 2 percent per year, which was too high).

Some kind of national register has always been in existence, and there may have been an attempt to bring it accurately up to date for use as a basis for population estimation in 1964, though Klatt (private communication) considers that such action was limited to a few localities. "On 27th August 1972 Premier Chou En-lai told us that a census was taken in 1964–5 recording around 700 million, with natural increase 2% per year" (Chen 1973). Possibly he meant a national estimate based on sample surveys. "Brigades" visited in rural China in 1972 averaged a rate of natural increase of 1.8 percent per year, as against 1.2 percent in Peking and 0.7 percent in Shanghai in 1971 (Brown 1973; Chen 1973).

Field (1970*a*) considers that these estimates refer to mid-1964, and gives provincial and principal city estimates totaling 711 million for that date.

However, Chairman Mao told his old friend Edgar Snow that the population in 1964 was "much below 680 million" (Snow 1965).

"The Chinese Government itself is without population data," writes Orleans (1972, p. 34). This was shown by a very frank interview given by Vice-Premier Li Hsien-Nien to a correspondent of a Cairo newspaper in November 1971, in which he states that different government departments had given him estimates ranging from 750 to 830 million. "However the Planning Department insists that the number is less than 750 million" (Chen 1973).

It is difficult to see how the Planning Department can do any planning if it does not even know the size of the population for which it has to provide.

The same vice-premier gave an estimate of 750 million for 1970 to a party of Japanese visitors (British Broadcasting Corporation 1972).

Calorie requirements vary with climate, body weight, the amount of hard physical work done, and the proportion of children in the population (Clark and Haswell 1964). In Southeast Asia, with small-bodied populations, in a hot climate, not engaged in hard physical work throughout the year, calorie requirements may be as low as 1,650 per person per day. In northern China, on the other hand, where each of the above conditions is reversed, the figure rises to about 2,000. For China as a whole we may take a figure of 1,900.

In comparing these figures with calories actually available, we must take into account a limited amount of unavoidable wastage in food storage, preparation, etc.

Buck (1965) made a careful comparison, taking full account of crops used for seed, fodder, and other purposes, and not available for human consumption, between his own previous results for 1929–33 and the information for 1949–58. Even in this comparatively favorable period, the average Chinese was much worse fed than before the Revolution. Average calories had fallen from 2,410 to 2,107.

If we accept the official Chinese figures, which show harvests at a low level in 1949, rising progressively through the 1950s, we have to deduce (Liu and Yeh 1961) that the Chinese were living on 1,190 calories per head in 1949, at which level, if continued for any length of time, they would certainly have died. Understating past figures in order to show a spuriously high rate of growth subsequently is one of the favorite devices in that well-known textbook *How to Lie with Statistics*. The official figures rose gradually but still stood at only 1,830 in 1957, rising to a sudden peak of 2,440 in 1958. Klatt (private communication) estimates (after adjusting his population figures to those given above) as follows: for 1952–53, 1,950 calories per head per day; 1957–58, 2,000; 1965–66,

TABLE 2

AGRICULTURAL PRODUCTION (MILLIONS OF TONS), 1958–65

	1958	1959	1960	1961	1962	1963	1964	1965
Grain*	204	170	160	165	178	183	195	193
Cotton	2.1	2.4	1.4	1.1	1.1	1.2	1.2	1.2
Soya beans	10.1†	...	5.7	5.5	...	7.8	6.9	6.8
Groundnuts	2.6†	...	...	...	...	1.9	2.3	...
Sugar	0.9	1.1	0.9	.0.7	0.5	0.5	1.1	1.5
	Swamy's (1973) Estimates‡							
Soya beans	10.5	11.5	...	5.5	6	6.5	7	7.5
Fibers	2.10	2.41	...	1.10	1.05	1.22	1.61	1.85
Oil seeds	4.24	...	...	2.3	...	...	...	3.4
Other nonfood	...	...	...	5.93	...	...	...	11.7

* Including grain equivalent of root crops.
† 1957.
‡ For noncereal crops, Swamy (1973) quotes the official figures for the 1950s and also gives the estimates shown in the table.

2,100; 1970–71, 2,225. Even with the recent improvements, however, food consumption standards are still far below those of 1929–33.

In the hungry period which followed "The Year of the Great Leap Forward," food supplies fell to famine levels (Clark 1965) of 1,800 calories per day or less. The worst cases of refugees reaching Hong Kong in the preharvest hunger period in 1961 reported their average family consumption per head as 1,150 for urban families and only 900 for rural (privately communicated results, which in the first place were per adult multiplied by a factor of 0.7).

The loss of agricultural production caused by "The Year of the Great Leap Forward" was catastrophic. Even by 1965, the 1958 output had not been recovered—by which time population had presumably substantially increased (*Current Scene*, various issues, and contemporary reports) (table 2).

Since 1965, the improvement in agricultural production has been at a rate higher than the rate of population growth (*Current Scene*, various issues). The "Cultural Revolution," which severely damaged industrial productivity, had little effect on the countryside (table 3).

According to Swamy (1973), Chou En-lai informed Edgar Snow, in a personal interview, that in 1971 China had a grain reserve stock of 40 million tons. "Economic Indicators for China" (1974) gives grain output throughout this period as some 10 percent higher—perhaps to match that publication's higher population estimates. Its estimates for cotton are also 300,000–500,000 tons higher.

In comparing these figures with the improvement in per head calorie supply at the rate of a little over 1 percent per year estimated by Klatt

TABLE 3

AGRICULTURAL PRODUCTION (MILLIONS OF TONS), 1965–73

	1965	1966	1967	1968	1969	1970	1971	1972	1973
Grain*	193	190	200	205	205	225	225	215	228
Cotton	1.2	1.6	...	1.7	1.6	1.7	1.7	1.4	...
Soya beans	6.8	6.8	6.9	6.5	6.2	6.9	6.7	6.3	6.7
Groundnuts	...	...	2.3	2.2	2.3	2.6	2.6	2.4	2.6
Rapeseed	...	...	0.8	0.8	0.7	0.8	0.8	1.0	1.1
Sugar	1.5	1.6	1.7	1.8	...	...	...	...	...

* Including grain equivalent of root crops.

(see above), it must be remembered that a proportion of the output of agriculture is required for industrial raw materials and for exports.

One of the principal factors in this improvement was a greatly increased use of chemical fertilizers. This will be unwelcome news for some admirers of China, namely, the cranks who believe that agriculture needs only "organic fertilizers" and commend the Chinese as examples to the world because of the large quantities of night soil, duckweed, pond mud, etc., which they spread on the soil with such great labor. The Chinese also supplemented their own production of chemical fertilizers by using some of their limited supply of foreign exchange to import all that they could, principally from Japan (table 4).

Chinese fertilizer policy has been much more rational than that of India, which botched both production and import of this vital requirement. India consequently is experiencing only slowly rising agricultural output and continued hunger. Swamy (1973) admits this point regarding fertilizers (and also considers that China has made more efficient use of its capital resources and of the possibilities of handicraft production than has India, even though his general conclusion is that India's economic growth per head of population has been more rapid than China's over the last two decades).

There is unfortunately considerable diversity in the estimates of the amounts produced and used. Field's figures (1970*b*) of production, which are much lower than Rawski's (1973*b*), apparently refer to nitrogenous fertilizers only.

Also, unfortunately, we lack knowledge of the composition of the fertilizer supply (nitrogenous, phosphatic, and potassic) and hence of its expected marginal productivity. A kilogram of pure nitrogen is expected to yield 10 kilograms additional output of grain; a kilogram of pure phosphorus pentoxide, little less. The principal nitrogenous fertilizer used, ammonium sulphate, contains only 20 percent nitrogen, but urea (now increasingly used) contains 46 percent, and superphosphate, the principal phosphatic fertilizer, contains a little over one-third phosphorus pentoxide. Swamy (1973) estimates the marginal return in grain for the

TABLE 4

CHEMICAL FERTILIZERS (MILLIONS OF METRIC TONS)

YEAR	PRODUCTION		SUPPLY (INCLUDING IMPORTS)		
	"Economic Indicators for China" (1974)	Rawski (1973*b*)	"Economic Indicators for China" (1974)	Chao (1970)	Swamy (1973)
1952.....	0.2	...	0.4	...	0.32
1953.....	...	...	...	...	0.59
1954.....	...	...	...	...	0.80
1955.....	...	...	...	...	1.26
1956.....	...	...	...	...	1.61
1957.....	0.8	0.9	1.9	1.9	1.94
1958.....	1.4	1.2	3.0	2.7	2.72
1959.....	1.9	...	3.1	...	2.93
1960.....	2.5	2.5	3.5	3.4	3.67
1961.....	1.5	...	2.5	...	3.54
1962.....	2.1	3.0	3.1	4.0	4.22
1963.....	3.1	4.2	5.1	6.0	5.11
1964.....	4.2	5.9	5.4	7.0	6.00
1965.....	5.7	8.9	8.0	10.9	...
1966.....	7.4	11.6	9.9	13.9	...
1967.....	5.9	...	10.2	...	...
1968.....	8.2	...	12.2	...	...
1969.....	11.3	...	15.4	...	...
1970.....	14.0	14.0	18.3	...	...
1971.....	16.9	16.8	21.2	...	...
1972.....	19.9	...	24.1	...	...
1973.....	24.8	...	28.9	...	...

whole fertilizer input at five, but three would probably be a more correct figure.

For the later 1960s, as against approximately 4 million tons annually of imports, Rawski (1973*b*) estimates 8 million, costing US$200 million per year. Judging from the price, this must have consisted mainly of phosphatic rather than nitrogenous fertilizers.

The most recent information (*Nihon keizai shimbun* 1975) indicates that imports from Japan alone for the half-year to June 1975 will include 600,000 tons of urea and 166,000 tons of ammonium sulphate, that is, 312,000 tons of pure nitrogen equivalent at a price exceeding $160 million.

On this basis we might have expected, between 1957 and 1973, a rise in output, due to fertilizer applications alone, of as much as 81 million tons of grain. The increased output of grain over this period was estimated above at only 43 million tons (65 million tons on the "Economic Indicators for China" [1974] estimates). The increased output of other crops, converted to economic grain equivalents, probably did not exceed 10 million tons. It does not appear that the efficiency of the Chinese in the application of fertilizers has been as great as Swamy gave them credit for.

There has been another important factor in the recovery of Chinese

agriculture, which will also give pain to many of China's admirers, namely, the restoration of private plots, which were conceded as the excesses of the Cultural Revolution died down. Their average sizes have been given (Walker 1965) in square meters per household as 483 square meters per household in northern China, 154 in western and central China, and 87 in southern China. These figures related to the mid 1950s. Since then, they were probably reduced in "The Year of the Great Leap Forward" but subsequently raised again.

These differences in average size are to some degree offset by the warmer and more humid climate of the south, where multiple cropping is possible. The private plots are largely used for growing vegetables, at yields which Walker estimates at 37 tons per hectare. Even allowing for a 75–80 percent water content in vegetables, these yields are much higher than the 3 tons of rice or 1 ton of wheat obtainable per hectare in farming. These small private plots—as in Russia—are now estimated ("Private Plots" 1971) to be providing 25 percent of the entire agricultural output.

Another important concession to free-market principles has been that, in place of universal price planning, "provincial and local commerce departments are now empowered to vary prices according to product quality, supply and demand" ("PRC Economy in 1973" 1974).

The number of tractors is gradually increasing, and they sufficed for 8 percent of the cultivated land in 1965. Swamy (1973) gives the following estimates, in millions of horsepower: for 1952, 0.03; 1953, 0.04; 1954, 0.08; 1955, 0.12; 1956, 0.30; 1957, 0.56; 1958, 0.69; 1959, 0.90; 1960, 1.22; 1961, 2.23; 1962, 3.6; 1963, 5.2; 1964, 7.0.

Kang Chao (1970) confirms a serious loss of cultivated land (through mistaken irrigation works, etc.) from 113 million hectares in 1957 to 102 million in 1963–65. About 40 percent of all land was double-cropped, but a similar proportion had been double-cropped in the 1950s.

Meat, eggs, and fish play only a small part in the Chinese diet, and dairy products none at all. It is said that, for some unknown physiological reason, the southern (though not the northern) Chinese (together with some Southeast Asian peoples) lack the enzyme lactase (except in infancy) and so have difficulty in digesting milk and dairy products (Liu and Yeh 1963; Clark 1965; Klatt 1967). (It is said, however, that Chinese lose this disability when they emigrate and that it may be environmental rather than genetic.) Meat, fish, and eggs (valued at international prices) constituted 13 percent of food production in 1929–37, 17 percent in 1952, and 19 percent in 1957.

The number of draft animals reached a peak (State Statistical Bureau 1960) in 1956 at 66.0 million cattle and buffalos, 7.4 million horses, and 13.4 million mules and donkeys, or 86.8 million in all, but was already declining by 1959. Draft animals, it must be remembered, will not and cannot work unless well fed, which means that they have to compete with

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humans for the limited supplies of grain and root crops because there is little grazing or fodder crop cultivation in China. So in times of food shortage they are of little value and often have to be slaughtered. Ishikawa (1965) considers that the total number of draft animals was only 50–60 million in 1965, though Klatt (1966) thinks that by then the 1957 cattle numbers had been recovered. The number of pigs, which provided about 60 percent of the meat supply in the 1950s, rose (State Statistical Bureau 1960) from 90 million in 1952 to 146 million in 1957. In 1965 the *Soviet Encyclopaedia* estimated their numbers again at 150 million, and Wenmohs makes a similar estimate (1967). Klatt and Ishikawa raise the figure to 180 million. Wenmohs considers that after 1965 pig numbers declined but other livestock increased. The numbers of sheep and goats in 1967 were still much below their 1959 level of 112.5 million (Wenmohs 1967).

The evidence about livestock products is very inadequate, but it seems unlikely that there has been any significant improvement in per head supplies since the 1950s.

The available information on the output of industry and construction calls for an analysis of some complexity.

Figures of industrial production, usually stated in yuan of a constant 1952 purchasing power, are confused by the Chinese custom (borrowed from the Russians) of including all output gross. If we include yarn and cloth, coal, pig iron, steel, and machinery, all at their gross values, we will have been guilty of a great deal of duplication (or triplication or quadruplication) of the values of some products. Nor is it safe to assume that the degree of duplication is approximately constant, so that the duplicated values at any rate can be used to give an index of true net output—as industry develops and becomes more complex, the degree of duplication increases. Thus Rawski (1973*a*), using a 1952 base of 100 gross output, quotes a figure of 241 for 1957, but Kang Chao estimates that, on a properly constructed index number (Chao 1963) weighted by net outputs, it rose only to 186. Rawski, however, acquits the official figures of the charge of another, more subtle statistical offence (which was at one time widely practiced in Russia), namely, entering new, and rapidly growing, industries at anomalously high prices, so as to overstate their relative contribution to the total.

Rawski was able to obtain figures for all industrial production in Shanghai (some 20 percent of all China), which he considers indicative of production in China as a whole. These are compared with properly compiled index numbers (Field 1970*b*; Cheng 1973) (see table 5).

Perkins (1967, 1971) estimates net output free of duplication, also in yuan of 1952 purchasing power. His totals agree with other index numbers. For 3 years he also provides a subdivision into classes of goods. Rawski also gives indexes (some of them from provincial sources) of the output of consumption goods, again in gross terms. However, if we make

TABLE 5

INDUSTRIAL PRODUCTION

	1957	1965	1970	1971
Shanghai production (billions of 1952 yuan)	12.8	27.3	43.6	47.5
Above expressed as index number	100	213	340	371
Field-Cheng index number	100	153	230	253

TABLE 6

ANALYSIS OF INDUSTRIAL OUTPUT

	1952	1957	1965	1966	1970	1971
Net output in billions of 1952 yuan (Perkins 1967):						
"Producers' goods"	3.15	11.07	22	...	...	...
Minerals	1.47	3.07	5	...	...	...
Consumption goods	3.30	4.92	10	...	...	...
Handicrafts	4.72	5.38	...	...	...	...
Total	12.6	24.5	37	41	...	...
Above expressed as index number (1957 = 100)	53	100	151	167	...	...
Chao-Field-Cheng index	58	100	153	167	229	252
Ratio of consumption goods to all production, 1957 base (Rawski 1973*a*, 1973*b*)	...	1.00	0.69	...	0.86	0.90
Index of consumption goods output (product of last two lines)	...	100	106	...	197	227

the perhaps less impermissible assumption that the degrees of duplication in consumption-goods output and in general production are not necessarily the same, but only that they are rising at the same rate, we can obtain the change in the ratio of consumption goods to total output (see table 6).

So calculated, the consumption-goods output for 1965 shows a rise of 6 percent over 1957, as compared with Perkins's fall of 3 percent. Perkins's rise of 28 percent between 1952 and 1957 may be compared with a rise of 25 percent in consumption other than food and rent over this period, estimated by me by an entirely different method (Clark 1965).

The industrial production index includes the output of certain construction materials (cement, timber, structural steel), but it is convenient to include at this stage the whole product of the construction industry.

Between 1952 and 1957 cement output (priced at 85 yuan per ton) rose from 0.24 to 0.56 billion yuan, and timber output (Stanford Research

Institute) from 1.22 and 1.95, or from 1.46 to 2.53 billion 1952 yuan taken together.

Gross values of construction were estimated as shown below (billion yuan at current prices).

	1952	1953	1954	1955	1956	1957
Hollister (1958)	5.45	...	...	...	...	...
Liu and Yeh (1963)	5.17	7.84	8.67	9.48	15.18	12.31
Ishikawa (1965)	3.71	6.51	7.50	8.63	13.99	12.64

We must reduce the 1957 figure to allow for a rise in prices since 1952 (which Hollister estimates at 11.4 percent); the results, in billions of 1952 yuan, are shown below.

	1952	1957
Cement and timber output	1.46	2.53
Gross value of construction	5.45	11.3
Ratio	3.7	4.4

This high and rising ratio represents (1) wages of construction workers, which we would expect to be relatively low in China; (2) locally produced bricks, tiles, thatch, etc., not included in the statistics of industrial output; (3) other industrial products included in construction (glass, nails, paint, etc.). In estimating the amount to be *added* to the industrial production figures in order to include all construction, we must take account of items 1 and 2 but not 3.

In 1957 there were 14.5 million handicraft workers and 2.4 million construction workers (Liu and Yeh 1963). According to Perkins's table (1967, p. 41), the former had a net output of 5.38 billion 1952 yuan, or 370 per head. We may assume, though this is open to question, that the construction workers were much more skilled and better equipped than the average handicraftsman. But even if we double the figure for net product per head, this only gives us a net product of 1.8 billion yuan. The use of locally produced materials, however, may be expected to be substantial. It will be assumed that the value of other industrial products used in construction equaled that of cement and timber, leaving (in 1957) 6.24 billion to represent construction wages plus use of local materials, or 2.46 times the value of timber and cement output. The outputs of these two commodities are the only indicators at present available for later years, and we will multiply their combined sum by 2.46 to obtain an estimate of net value added in construction.

TABLE 7

OUTPUT OF INDUSTRY AND CONSTRUCTION (BILLIONS OF 1952 YUAN)

Year	Output of Industry and Handicrafts	Including Net Value Added in Construction	Machinery Production (including Defense Equipment)	Gross Value of Construction	Output Not Machinery or Construction	Consumption Goods	Balance
1957 ..	24.5	30.7	6.2	11.3	13.2	10.3	2.9
1958 ..	32.1	40.1	11.1	14.4	14.6	...	...
1959 ..	40.7	50.0	15.6	16.7	17.7	...	...
1960 ..	40.5	48.0	18.9	13.6	15.5	...	...
1961 ..	25.8	31.7	9.4	10.6	11.7	...	...
1962 ..	26.0	32.2	7.5	11.2	13.5	...	...
1963 ..	29.0	36.1	9.0	12.8	14.3	...	...
1964 ..	32.9	40.5	10.4	13.8	16.3	...	...
1965 ..	37.6	46.1	14.6	15.3	16.2	10.9	5.3
1966 ..	43.2	52.1	17.5	16.1	18.5	...	...
1967 ..	34.5	42.4	14.0	14.3	14.1	...	...
1968 ..	42.0	50.5	17.5	15.3	17.7	...	...
1969 ..	49.6	(59)	21.4	(16)	(21.6)	...	...
1970 ..	56.3	(66)	24.5	(17)	(24.5)	20.3	4.2
1971 ..	62.0	(72)	28.9	(17.5)	(25.6)	23.4	2.2

The apportionment of output in table 7 is based on Perkins's table. Output of industry and handicrafts is from the Field-Cheng indexes (Field 1970*b*; Cheng 1973), and that of machinery, etc., from Cheng (1973).

The balance shown in table 7, after deducting consumption goods, should represent exports, stockpiling, and government purchases of goods other than capital goods or defense equipment.

Allowing for the uncertainty of all the figures, this is probably about as good an apportionment as we can get of the uses of the final output of industry and construction.

Mainland China, for its size, has in recent years done very little international trade—about as much as Taiwan. Even in an earlier period, when China was not free to pursue independent economic policies, Hou (1963) estimated that the volume of export trade was expanding at the rate of 2.4 percent per year—below the world average—between 1867 and 1932. Eckstein (1973) estimated that not until 1955 was the 1928 volume of international trade recovered. There was a rapid expansion of international trade (at that time largely with Russia) up to 1959, followed by a heavy fall consequent upon the agricultural collapse of the early 1960s.

Nonagricultural exports (largely textiles) rose from $0.5 billion in 1955 to $1.2 billion in 1959; since then, they changed little for some years but have risen again recently. The fall in exports in the early 1960s and their subsequent recovery were both due to changes in agricultural exports (see table 8).

TABLE 8

INTERNATIONAL TRADE (BILLIONS OF US$)

	1955	1959	1962	1966	1972
Imports	1.31	2.06	1.15	2.14	2.77
Exports	1.43	2.23	1.52	2.21	2.95
Composition of imports (%):					
Machinery and equipment	27.0	47.0	10.5	21.0	...
Agricultural products	7.5	11.4	43.3	29.0	...
Agricultural products as % of exports	66.2	46.9	23.3	55.6	60.0

SOURCES.—Cheng (1973)—38 estimates; Eckstein (1973)—44 estimates.

TABLE 9

AGRICULTURAL IMPORTS (MILLIONS OF TONS)

	1969–70	1970–71	1971–72	1972–73	1973–74	1974–75
Grain	5.1	3.7	3.0	6.1	9.2	9.0
Soya beans	...	...	...	...	0.7	0.5
Cotton	0.07	0.10	0.15	0.42	0.45	0.3

At one time, external resources were used as far as possible for the purchase of machinery and equipment, but in the near-famine conditions of the early 1960s they had to be diverted to food imports, principally of wheat. Since 1961, grain imports have ranged between 3 and 9 million tons per year. Against this, China has maintained rice exports (except for 1961 and 1962) at the rate of about three-quarter million tons per year, but these had only been returning (until the recent sharp rise in rice prices) about $100 million per year. The agricultural products, which still constitute some 60 percent of China's exports, consist mainly of oilseeds, tea, etc. Food sold to Hong Kong (which relies principally on mainland China for fresh meat, vegetables, etc.) constitutes a substantial element in the Chinese export total.

Since 1971 China has also become an importer of cotton, and grain imports have been rising (see table 9).

According to one estimate ("PRC Economy in 1973" 1974) China's international trade increased by 84 percent in value in 1973, mainly as a result of price increases.

"Economic Indicators for China" (1974), however, makes a much lower estimate, of exports rising to $4 billion and imports to $4.5 billion.

In addition to Hollister's pioneering study, several more recent attempts have been made to express China's entire national product in terms of U.S. dollars (table 10).

Except for "Economic Indicators for China," which specifies dollars of

TABLE 10

CHINESE GROSS NATIONAL PRODUCT (BILLIONS OF US$)

Year	"Economic Indicators for China" (1974)	Klatt (1973)	World Bank Atlas	Ichimura	Tobin (1974)	U.S. Congress Joint Economic Committee (1968) (Factor Incomes)	Eckstein (1966)	Swamy (1973) (Billion Rupees)
1952..	64	40	...	...	...	...	...	126.0
1957..	88	55	...	...	...	65	40	160.2
1958..	102	66	...	...	...	...	...	177.0
1959..	96	...	...	...	...	...	...	172.6
1960..	94	...	...	38.8	...	...	50	145.3
1961..	79	...	...	...	...	...	...	158.6
1962..	88	...	...	...	...	...	42	166.3
1963..	93	...	...	...	...	...	...	179.5
1964..	103	...	...	...	...	...	...	195.0
1965..	114	70	85	...	80	73.3	...	198.6
1966..	122	...	...	...	...	...	...	200.8
1967..	119	...	...	50	...	...	...	...
1968..	118	...	78	...	...	...	...	...
1969..	130	...	...	...	...	...	...	...
1970..	147	90	...	...	112	...	...	...
1971..	159	...	...	...	...	...	...	...
1972..	161	...	...	...	...	...	...	...
1973..	172	...	...	...	...	...	...	...

1972 purchasing power, and Eckstein (1966), who indicates dollars of 1961 purchasing power, it appears that each author was thinking in terms of the value of the U.S. dollar at the time he was writing, not its (higher) value in any past year to which he referred.

Tobin (1974) begins by observing that the current exchange rate of $0.45 to the yuan "if anything understates the dollar value of the yuan in buying a Chinese market basket." He then applies this rate to value China's "material product" at $90 billion, to which he adds $12 billion for services (including government), occupying an estimated 10 percent of the labor force, and a further $10 billion for imputed rents of dwellings, free hospitalization, etc.

Tobin pointed out that 80 percent of the population was still rural, but estimated that agriculture contributed only 40 percent of the national product. (He did not refer to industrial and constructional activities also carried on by rural communes; perhaps, however, they do not add up to too much.) Klatt (1970) makes agriculture contribute 45 percent of the national product in 1952, 40 percent in 1957, 31 percent in 1965, and only 29 percent in 1970. Eckstein (1973) gives similar figures: he estimates 75 percent of the labor force in agriculture in 1970.

However, for international comparisons these figures are much too low, principally because of the low valuation which they put on agricultural production. It is true that the physical productivity of Chinese agriculture

is low. But we must give it credit for the fact that, since most of the food is produced and consumed in the same village, Chinese agriculture does not incur the costly processing, transport, packaging, and distribution charges which arise in the advanced countries. For fair comparison, therefore, we should value Chinese food supply at U.S. *retail* prices, if we wish to revalue the national product in dollars. (This has an additional effect in raising the Chinese valuation, in that prices of vegetables and animal products, relative to staple grains, are considerably higher in the United States than in China.)

Using the above method, and all other information available of the purchasing power of the yuan relative to dollars over different types of goods and services, I obtained valuations (much higher) of the Chinese national product in 1933 and in 1950–59 (Clark 1965). The unit was the purchasing power of the U.S. dollar in 1950 (this year was chosen because it was the base year for the well-known Gilbert-Kravis international comparisons of the purchasing power of different currencies). If we wish to reexpress these results in 1974 dollars, we must multiply by approximately 2.1.

However, the estimates published in 1965 need revision in three respects: (1) Vegetable supplies (following Hollister 1958) were estimated at only 15 million tons for the 1950s. Klatt (1967) estimates fruit and vegetable supplies in 1966–67 at 50 million tons, or approximately 70 kilograms per head. (At the yield of 37 tons per hectare mentioned above for at least the more productive plots, only 1.3 percent of the cultivated land would suffice to produce 50 million tons. Indeed, if [as now appears to be the case] private plots amount to over 5 percent of the cultivated land, and if they are largely used for vegetables, even the estimate of 50 million tons may be too low.) Ishikawa (1965) reports average consumption by Shanghai workers' families (whose real incomes, however, were above the national average) at 97 kilograms per head per year. The calculations were therefore adjusted to raise estimated vegetable consumption in the 1950s (and also in the 1930s) to 45 million tons per year. (2) Gross investment (i.e., before depreciation) is substituted for net. Gross investment in machinery production is also revised upward in view of Cheng's (1973) estimates, though Hollister's conversion factor of 0.18 from 1952 yuan to 1950 dollars is retained. (3) The purchasing power of the yuan for consumption other than food or housing was previously given (Clark 1965) at $1,620 of 1950 purchasing power for 1955 (base calculation) adjusted for other years between 1950 and 1958 by the general retail price index, with a 1953–58 average of 0.619. The evidence on which this was based was limited, and it is now estimated that it should be raised by a factor of 1.52, in the light of table 11 (Japanese price comparisons quoted by Swamy [1973]).

TABLE 11

PURCHASING POWER (CONSUMPTION NOT FOOD OR HOUSING) OF THE YUAN, 1953–58

	Yen 1953–58 / Yuan 1953–58	Yen 1960* / 1960$	Yen 1960† / 1950 $	Yen 1953–58‡ / 1950 $	Yuan 1953–58 / 1950$	Weight§
Clothing	59	182	206	209	0.282	0.427
Fuel....	556	285	344	320	1.74	0.277
Other goods.	160‖	167	194	177	1.09#	0.296
Services.	...	...	...	85†	...	...
Weighted mean.	...	...	...	...	0.928	...

* *Japan Economic Research Council Bulletin*, vol. 12 (1963) and Kumano (1961) (for consumer durables).
† Previous column adjusted by U.S. national product deflators.
‡ Previous column adjusted by Japanese national product deflators.
§ Liu and Yeh (1963, table 10) (for 1952).
‖ "Daily necessaries," consumer durables, and "cultural" combined with weights 1:1:2.
Previous column combined with the following weights: 2 for goods, 1 for services.

TABLE 12

FOOD SUPPLIES

	Millions of Tons, 1966–67	Billions of Dollars of 1950 Purchasing Power, 1966–67	1970
Rice*	77.5	9.6	20.5
Wheat*	24.5	3.9	
Other cereals*	33.0	4.32	
Potatoes	48.0	1.15	
Soya beans	10.5	3.26	33.7
Sugar	1.5	0.34	
Fruit	5†	3.05	
Vegetables	45†	9.7	
Meat and poultry	7	5.25	
Fish and eggs	6	4.5	
Oils and fats	3.5	2.8	
Total	...	47.87	54.2

* Unmilled weight.
† Arbitrary apportionment of Klatt's 50-million-ton total.

Klatt (1967) presents a food balance table for 1966–67, taking into account imports, exports, seed, waste, fodder use, industrial requirements, etc., from which a valuation can be made in 1950 dollars for 1966–67, and a further very approximate valuation for 1970 (see table 12).

Available indications show 1965 supplies as about the same as in 1966–67. A valuation has also been made for rural fuel, in which the villages supply most of their minimum requirements without purchasing from industry. Buck (1964) estimated that the average Chinese farm

family, in addition to supplying 83 percent of its food and the whole of its housing requirements, also provided 89 percent of its fuel, 18 percent of its clothing, and 5 percent of its furniture.

The purchasing power of the yuan is particularly high in residential construction, where the productivity of labor does not differ from that of the advanced countries as much as it does in manufacture and agriculture. In this sector the purchasing power of the yuan in the 1950s was estimated at $1.5 of 1950 purchasing power (Clark 1965).

We can now revise the estimates published in 1965 (Clark 1965) (to convert investment from net to gross, to make an increased allowance for vegetable production, and to include a revised valuation of the purchasing power of the yuan over consumption other than food and housing) and bring them approximately up to date (see table 13).

In the first place, food supply per head, even in the best years of the 1950s, had only just recovered to the 1933 level, and since then has been below it, in 1960–63 far below it.

National product per head as a whole is shown in figure 1. Some of the years of rapid growth represented nothing more than recoveries from the economic disaster of "The Year of the Great Leap Forward" and the lesser setback of the Cultural Revolution, and cannot therefore be taken as indicative of the general long-period rate of growth. This may be gauged by comparing product per head in 1970–71 with 1951–52, or with 1933—namely, 1.9 and 2.0 percent, respectively, per head per year (compounded).

These rates of growth are much below the rates usually claimed, and below the average rate of growth of most other developing countries.

Finally, we may check these results against such information as is available on wages and prices.

There has been some discussion as to whether there has been any price rise in China. The prices analyzed below, however, indicate (for goods other than food or rents) a rise of only about 1 percent per year.

A black market did indeed develop in the 1950s (*China News Analysis* 1956), when the official price of rice in South China was 0.26 yuan per kilogram, but black market rice on one occasion was selling at 0.9 yuan per kilogram. We are also given a rare example of the Chinese sense of humour. "The man in the shop said 'This shop is Chairman Mao's, therefore we have no fish; but go to Liu Shao-Ch'i's, he may have some.' "

From recent information (from a private source) on retail prices in China, we can value Chinese private consumption expenditure on nonfood goods and services in terms of current (or 1950) U.S. prices. The bases from which the U.S. general consumer price index is calculated are not published in a form convenient for comparison. Base U.S. prices (for 1971) are therefore taken from detailed tables of "Prices Paid by Farmers" (U.S. Department of Agriculture 1972). As the Chinese specifications did not directly fit the U.S. base data, a "bridge" was obtained, using current

TABLE 13

CHINESE GROSS NATIONAL PRODUCT REVALUED IN U.S. DOLLARS OF 1950 PURCHASING POWER (BILLIONS)

	1933	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
Food supply (urban and rural)*	45.8	42.5	43.1	43.8	45.2	46.4	46.7	48.0	47.3	48.7	50.6	41.5	39.8	43.0	44.6	48.0	47.9	46.8	49.8	49.8	49.8	54.2	53.8
Fuel (rural)	1.2	1.2	1.2	1.2	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Rental value of housing (urban and rural)†	7.3	7.3	7.3	7.2	7.3	7.4	7.6	7.7	7.9	8.1	8.1	8.2	8.2	8.2	8.3	8.3	8.4	8.5	8.6	8.7	8.8	9.0	9.1
Gross investment:																							
Construction‡	...	5.2	5.4	6.9	8.1	9.2	10.0	14.5	15.2	19.3	22.4	18.3	14.2	15.0	17.2	18.5	20.5	21.6	19.2	20.6	21.5	22.8	23.5
Machinery§	12.9	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Production‡	...	0.3	0.3	0.4	0.4	0.6	0.9	1.4	1.1	2.0	2.8	3.4	1.7	1.3	1.6	1.9	2.6	3.2	2.5	3.2	3.9	4.4	4.6
Imports	...	0.2	0.3	0.3	0.3	0.4	0.4	0.5	0.5	0.6	1.0	0.9	0.3	0.1	0.2	0.2	0.3	0.4	0.3	0.2	0.2	0.3	0.4
Inventory change and net foreign investment	...	0.6	1.5	1.7	0.9	1.1	−0.1	−0.4	2.1	3.2	2.0	0	−2.5	−2.5	1.0	1.0	1.0	1.5	1.5	1.5	1.5	1.5	1.5
Other private consumption‡	...	9.3	11.8	15.8	17.2	19.3	18.6	20.5	19.7	21.9	26.4	23.3	17.5	20.7	21.4	24.5	24.4	27.6	21.1	26.5	32.4	36.7	38.4
Government services§	...	8.3	12.7	11.5	13.3	13.0	13.0	12.5	11.4	12.3	14.4	16.5	12.5	12.5	13.5	14.7	15.7	18.5	12.0	15.0	21.0	25.0	26.0
Gross national product	67.2	74.9	83.6	88.4	94.0	98.7	98.4	106.0	106.5	117.4	129.0	113.4	93.0	99.6	109.1	118.4	122.1	129.4	115.5	126.8	140.4	155.2	157.6
Population (millions)	590	556	565	574	583	593	603	613	624	635	645	650	650	656	664	672	680	688	697	706	715	724	733
Product per head:																							
Food	77.5	76.3	76.4	76.4	77.6	78.3	77.4	78.4	75.8	76.8	78.5	63.8	61.2	65.5	67.2	71.4	70.4	68.0	71.5	70.5	69.7	74.9	73.4
Other	36.4	58.2	71.6	77.7	83.8	88.3	85.8	94.6	94.9	108.2	121.5	110.5	81.8	86.2	97.2	104.6	109.2	120.2	94.4	109.0	126.7	139.6	141.7
Total	113.9	134.5	148.0	154.1	161.4	166.6	163.2	173.0	170.7	185.0	200.0	174.3	143.0	151.7	164.4	176.0	179.6	188.2	165.9	179.5	196.4	214.5	215.1

* To 1962 from Clark 1965; 1965 and 1970 calculated in text. Other years interpolated on grain output.
† No information is available after 1959, but strong measures were taken to check the growth of urban population, because of the housing shortage, among other reasons.
‡ Old *China Quarterly* data (revised valuation) extrapolated 1957–71 from table 7.
§ Including defense equipment. Figures for 1964 and 1965 from Wenmohs (1967); others interpolated on private consumption.

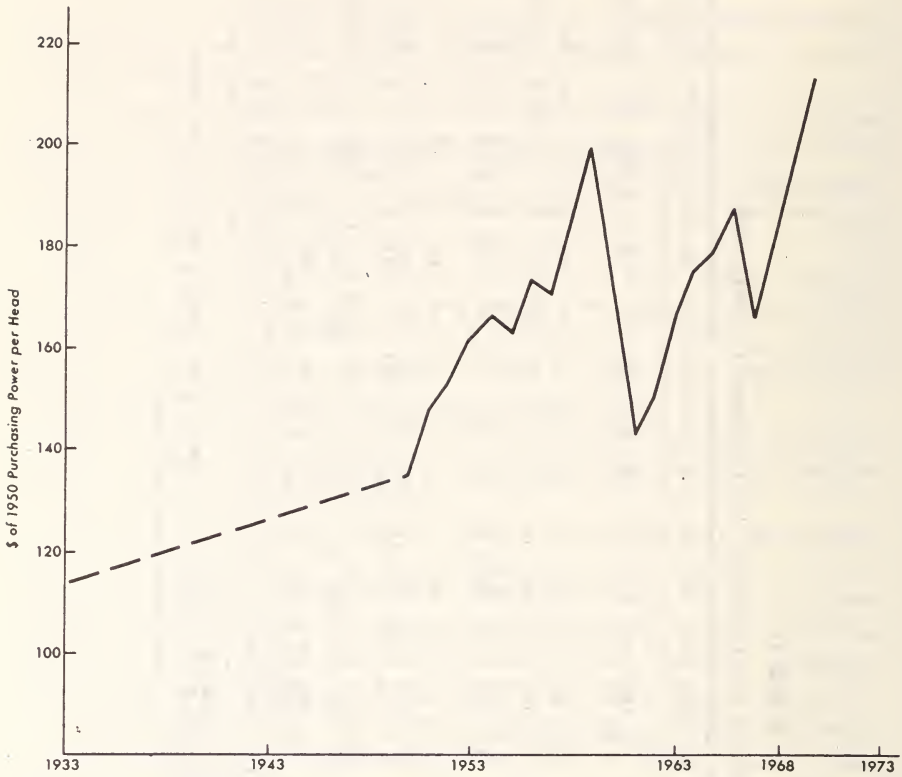

FIG. 1.—China—gross national product per head

Australian retail prices. Thus for furniture Chinese data for eight commodities (single and double beds, chair, cupboard 2 × 1 meters, mat, double mattress, stool, and table 1.5 × 1.5 meters) were matched against Australian prices of February 1975 to show a median ratio of 1.15 Australian dollars per yuan. Coal burning cooking stoves were specified in China but are no longer on the market in Australia. Then an Australian-U.S. comparison was made on different (higher-quality) specifications of innerspring mattresses and box spring sets, bedroom sets, living room sets, dining room sets, and upholstered lounge chairs, showing a median ratio of 1.23 Australian dollars (1975) per U.S. dollar (1971), indicating the purchasing power of the yuan in this sector at US$0.93 of 1971 purchasing power (table 14).

Medians rather than averages are used throughout, as they are less affected by extreme values and specification errors. For services, direct U.S. price information was taken from a United Nations document (United Nations 1971) referring to New York in November 1969, and

TABLE 14

INTERNATIONAL PRICE COMPARISONS

	No. of Commodities for which Chinese Prices Available	Median: Australian $/ Yuan	Median: Australian $/ US $	US $/ Yuan	Weights*
Goods:					
Clothing and shoes..	21	0.99	1.64	0.60	0.427
Fuel	5	1.38	1.80	0.77	0.277
Furniture	8	1.15	1.23†	0.93	0.018
Minor household equipment	29	0.60	0.90	0.32	0.038
Tobacco	1	1.59	1.54	1.03	0.064
Other recreation ...	15	0.59	1.43	0.41	0.042
Household textiles ..	7	0.45	1.52	0.30	0.017
Toilet goods	5	0.40	1.30	0.31	0.017
Total goods (weighted mean)	...	...	...	0.657	...
Services	11	...	...	7.7	0.100
General weighted mean	...	...	...	1.362	...

* The two major items, clothing and fuel, are from Liu and Yeh, (1963 Table 10) (for 1952). For services, an arbitrary estimate was made. The apportionment of the remaining items was estimated from Indian evidence.

† For mechanical household equipment (not included in the calculation,) the ratio was 1.33.

from some personal information (to convert to 1971 values, the 1969 data were raised by approximately 10 percent). Postal and telephone services are comparatively costly in China, recreational services and hairdressing (as was to be expected) extremely cheap. There have been complaints, however, of hair cuts (normal charge 0.2 yuan) costing 1–2 yuan in a remote area in Sin Kiang ("Interview" 1961). Medical treatment is not free but is charged for at the rate of 1.5–2 yuan (ibid.). Nor is schooling free, though it is clearly subsidized—Middle School students were charged 11 yuan per term (" 'Who Is Mao Tse-tung?' " 1962). From other sources, there are indications that primary schools also charge fees, though at a much lower level—about 10 yuan per year inclusive of charges for books and stationery. Rents for government-provided dwellings ("Workers' Housing" 1956) averaged 5–10 percent of wages. In the 1950s there was still some private renting, rents averaging about 20 percent of wages. For food Middle School boarders are charged 10½ yuan per month, and in factory canteens ("Writer Returns" 1971) 15 yuan per month. An earlier report ("The Janus-Face of Labour Conditions" 1956) also indicates textile workers without dependents and eating in factory canteens spending 30–33 percent of their wages on food, that is, 15–16 yuan per month in terms of wages of the 1950s.

If we estimate that 50 percent of the urban population is working (i.e., an average of one dependent per worker), food for one adult and one child, on the above scales, would come to 26 yuan per month.

This conflicts with the previous (Clark 1965) general estimate of urban wage-earning families spending 65 percent of their incomes on food (50 yuan in terms of average earnings in the 1950s). Factory and school canteen food may, however, be below the average standards of consumption of the urban population.

It is interesting to observe the high purchasing power of the yuan over the most labor-intensive commodity (furniture) and, to a less extent, over clothing, as well as its extremely high purchasing power over services by U.S. standards. Its high purchasing power over fuel, and still more over tobacco, is the result of administrative decisions—in the latter case, not to tax the poor man's principal recreation as severely as do the advanced countries.

We now need to relate these purchasing powers expressed in 1971 U.S. dollars to those in 1950 dollars previously used (see table 15). This means that the purchasing power (excluding food and housing) of the present-day yuan, which was 0.657 for goods and 7.7 for services in terms of 1971 U.S. dollars, was 0.466 for goods and 3.5 for services in terms of 1950 U.S. dollars, or 0.769 in all, on the weights used above.

For 1953–58 (see above) its purchasing power was estimated at 0.928, that is, a price rise of about 1 percent per year.

We now consider the available information on earnings.

The belief that earnings in China show a high degree of equality is mistaken. In the 1950s (*People's Daily* 1956) average earnings of all wage and salary earners were 50.8 yuan per month, with the following range: primary school teachers, 37 yuan; state farm workers, 44.8; Shanghai bank officers, 68.6; Shanghai municipal workers, 70.2; technical personnel, 88; and senior engineers, 216.

Regular building workers received 47.5 yuan per month, but casual workers in 1951–52 (excavating an average of 2.3 cubic meters per day) received only 0.8 yuan, equivalent to only 4.6 kilograms of wheat per day—not much above a subsistence wage (Chao 1965; Yeh n.d.).

The Indian Agricultural Delegation (Government of India 1956) of 1956 reported professors earning 250–400 yuan; craftsmen, 100; laborers and minor clerical workers, 35—not so different from the Indian scale of earnings. Working hours were reported at 10 per day, including "education" (8 hours' work followed by 2 hours' study, according to a party resolution of December 1958) for 306 days per year. (The end of 1958 was, however, a period of extreme political tension, and this rule was probably subsequently relaxed.) In the busy harvest season (which, however, does not last very long) rural workers worked a 12-hour day.

After "The Year of the Great Leap Forward" it appears that wages were reduced. A refugee coolie reported (*Current Scene* 1962): "At first I made 40 yuan/month but my wages were cut until I was only earning 30 yuan/month. I could carry 80 kilograms [!] Now I can only carry 55–60."

TABLE 15

U.S. Personal Consumption

	1950			1971		
	Current (Billions of $)	At 1958 Prices (Billions of $)	Price Index	Current (Billions of $)	At 1958 Prices (Billions of $)	Price Index
Food and beverages	53.9	63.2	0.854	136.4	103.4	1.319
Housing	21.3	26.8	0.795	99.2	75.6	1.311
Other goods*	78.6	90.2	0.871	264.6	215.2	1.228
Services†	37.2	50.3	0.740	164.7	101.2	1.627
Total	191.0	230.5	0.828	664.9	495.4	1.343

* By difference from total.
† Excluding housing and certain fuels recorded as "services."

In 1970 it was reported ("China's Economy in 1969" 1970) that average wages were still 50 yuan per month, but that there had been a great equalization, with maximum earnings now 100 yuan per month, in place of former figures of 150–250. This, however, conflicts with other information, showing average wages in Canton at 60–70 yuan per month ("Writer Returns" 1971) and Tobin's wider observation (1974). In a textile mill he found an average of 60 and a minimum of 35, with the highest-paid manual worker receiving 100 and engineering and technical staff receiving 130–140. In an automobile workshop the lowest paid received 40, the most experienced 200; in a department store the minimum was 36, the average 63, and the maximum 80. In the university the minimum was 50 but the maximum over 200. The average for all hospital staff was 67, including doctors averaging 85 but surgeons 200–300. However, newly qualified doctors were said to receive only 42–48 (Sieh 1964).

We have little information about the present cash incomes of the farm population. However, Pi Chao Chen (who succeeded in getting some information on population out of Chou En Lai) also was able to visit six agricultural "brigades" in 1972 (total populations ranging from 670 to 7,490 persons per family ranging from 4.8 to 6, median 5.2). One was a specialized tea-growing enterprise, with income all in cash (210 yuan per person per year), out of which they had to buy grain at the urban price of 0.28 yuan per kilogram. This income however seemed to be above the average; valuing income paid in grain at the above price, three other brigades had average per head incomes equivalent to 167, 169, and 183—a general average of 182.

Judging, as far as possible, from national averages of agricultural productivity and prices per head, it does not appear that the visitors were taken to see better-than-average brigades to any great extent. In a village in Kweichow, said to have been better off than the provincial average

(but Kweichow is a relatively poor province), valuing 350 kilograms of *unmilled* rice at the urban price of 0.18 yuan per kilogram, the average family income was again placed at 183, with the less successful earning 40–50 yuan less ("Agriculture, 1968" 1968).

Tobin (1974) estimated rural incomes (including incomes in kind) at half urban levels—presumably he meant per head. An average rural income of 180 yuan would thus be compatible with an average urban wage of 720 yuan and 50 percent of the population in employment (in most industrial countries the ratio is now about 40 percent, and in Chinese cities, even if there are more children, there are almost certainly more married women working and far fewer pensioners).

Incomes per head are therefore estimated at 360 yuan urban and 180 rural, or 225 in all (with 75 percent of the population rural). The National Product table shows 1970–71 consumption, other than food, rent, and rural fuel, at $37.5 billion of 1950 purchasing power, or 48.8 billion current yuan (on the yuan's purchasing power of 0.769 calculated above), that is, 67 yuan per head. This is compatible with an estimate that outlays for food, rent, and savings amount to 70 percent of the average (rural plus urban) of personal incomes.

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ECONOMIC DEVELOPMENT IN CHINA AFTER THE CULTURAL REVOLUTION

Kang Chao

In the past of a century the economic development in the People's Republic of China (PRC) has suffered from two severe setbacks. The first one was the economic crisis in 1959-61, which was triggered by the Great Leap Forward and the Commune Movement but was aggravated by the withdrawal of the Soviet technical assistance. The second disruption, known as the Great Proletarian Cultural Revolution, erupted in the latter part of 1966 and lasted for at least three years. While events in the two turmoil periods are well known, their impacts on the economy cannot be assessed in quantitative terms even today due to the lack of data.

Unlike the Great Leap Forward, the Cultural Revolution was not launched as an economic campaign. But, it nevertheless exerted serious disruptive effects on production, so much so that even Premier Chou En-lai had to admit[1]. The two upheavals also differed in their incidences. The crisis in 1959-61 occured first in agriculture but subsequently engulfed industry and other sectors, whereas impacts of the Cultural Revolution were primarily on the industrial production and transportation systems, leaving agriculture more or less intact.

As Chou En-lai conceded[2], the decline in industrial production in 1967 and 1968 stemmed from the interruption of traffic and the lost labor hours due to infights in factories. The interruption of transportation systems came first and was severe in scale. A substantial portion of the railway carrying capacity and other means of trans-

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portation had been diverted to move the Red Guards back and forth between various localities and the capital. Consequently, a great deal of freight space had to be preempted; large quantities of industrial raw materials, fuels, equipment, and spare parts could not be shipped to the users on time, compelling many factories to curtail their level of operations and many new projects to halt their construction work.

At the very beginning of the Cultural Revolution Chinese leaders were concerned about the direct interference of the Red Guards on industrial production and made efforts to keep them out of factories and mines. However, it was not long before those young, fanatic students got out of control. They entered into factories and mines to propagandize the Revolution and to "exchange experiences" with industrial workers. Moreover, workers in many enterprises were encouraged by the Maoists to "takeover the power" from their managers and party cadres, who were accused of being "capitalist-roaders". Very often factional infights among workers broke out in factories, which sometimes led to armed struggles. Or, workers came to Peking in groups for appealing grievances to the central authorities. Work stoppages took place in numerous plants, sometimes lasting for weeks, and civil disorders were frequently reported in major industrial centers during the period. Normalcy was not restored until the whole industrial sector was put under the military control.

As a contrast, the disruptive effects of the Cultural Revolution on agricultural production were minimal, as far as we can tell. Interestingly, although the new agricultural policy adopted in 1961-1964 was one of the main reasons that caused the split of the Chinese Communist leaders in-

to opposing factions, the Maoists did not introduce any drastic changes in the farm institutions during the Cultural Revolution period. Most of the incentive measures used by the Liu Shao-chi government to stimulate agricultural production were preserved despite their undesirable features according to the maoist ideology. Equally important is that the Red Guards activities seldom penetrated into the rural areas. The uninterrupted production in agriculture is clearly evidenced by the fact that the grain output of the country jumped by a significant step from the probable level of 2oo million metric tons in 1965[3] to 23o million tons in 1967[4].

Apparently the adverse effects of the Cultural Revolution on the economy were only short-run in nature. Industrial production returned to normal in 197o and impressive growth have been achieved in most branches of the sector in the subsequent years. Ironically, however, the performance of agriculture, a sector which was least hindered by the Cultural Revolution, has turned out to be highly unsatisfactory in the last few years. Peking has recently become more liberal in releasing economic statistics; the new data though still far from adequate for making detailed analyses, enable us to see the tempo of economic development in the country and the general nature of problems faced by her after the Cultural Revolution.

In his "Report on the Work of the Government" delivered on January 13, 1975 at the First Session of the Fourth National People's Congress of the People's Republic of China (PRC), Premier Chou En-lai discloses the rates of growth in various industrial branches and economic construction activities[5]. It is said that in the ten years between 1964 and 1974 the PRC completed 1,1oo large and

medium-sized projects. Assuming that the norms used by the Chinese planners in the 1950's for classifying the sizes of new construction projects have been maintained throughout, we may make a very rough comparison of the average investment scale in the past decade with that in the 1950's.

Before the economic crisis, Peking occasionally reported their basic construction activities; from the known data it is possible to make an account for the large and medium-sized projects carried out in 1953-62[6]:

(1) 198 large projects were finished using complete sets of equipment furnished by the Soviet Union.

(2) 1,400 large projects were completed on the basis of design materials supplied by the Soviet Union.

(3) 68 projects were built with technical assistance from the Eastern European Communist countries.

(4) 1,426 large and medium projects were designed by the Chinese themselves.

The total number of large and medium-sized projects carried out in that period came to 3,092. Out of this number 2,570 were large projects; the rest were the so-called medium-sized ones. Even in the period of 1953-58, the total number of wholly or partially completed large projects, not counting the medium-sized plants, exceeded 1,100[7].

The relatively small number of major projects completed in the last ten years is attributable to a couple of factors. First, in view of the difficulties in obtaining foreign technical assistance and equipment the PRC chose to place a greater emphasis on small plants. Namely, there has been a policy shift with regard to the production technology and operation scale. Secondly, the planners appear to be more prudent now than they were before. The

experience of the Great Leap Forward has probably taught them a bitter but extremely useful lesson. Even taking into consideration the large number of small plants erected in the country, the average annual investment in basic construction in 1964-74 could hardly exceed the average scale of investment in 1953-58[8].

It should be noted that the new policy of self-sufficiency and the stress on small plants during this period are not solely the outcome of the constraints of imported equipment and the absence of foreign technical assistance. They have been chosen also for their positive advantages. The small plants scattered all over the country now can make better use of local resources of materials and labor which would have been otherwise underutilized. Since local industries produce things primarily for the households and producers within the same general areas a great deal of transport costs can be saved annually. This benefit is more substantial in the cases of bulky goods; that is why the production share of small plants in total output is especially high in the industries of fertilizers, cement, and coal.

Closely related to the shift in technological policy is the decentralization of industrial administration after the Cultural Revolution. The recent years have witnessed a trend of diminution in the role of the industrial ministries in the central government and ascension of the regional economic power[9]. The widespread small-scale enterprises entail a close supervision by local authorities rather than the remote control by central ministries. In addition there have been some political factors involved. In other words, the organizational decentralization was partly a planned reform and partly an unplanned outcome of

the weakened central authorities, the unstable relations between the central and local governments, and the frequently interrupted freight traffic during the chaotic days of the Cultural Revolution[10].

After 197o the decentralization of industrial administration has been ascaladed to such a high degree that even many giant heavy-industry enterprises like the Anshan Iron and Steel Corporation, Shenyang Heavy Machinery Factory, and Shenyang No.1 Machine Tool Factory have been put under the dual control of the central ministries to which they originally belonged and the local or provincial governments of the districts where they are located[11]. However, the Chinese government has never made it clear to outsiders how such highly decentralized enterprises are operated and coordinated. While some observers have serious doubts as to the efficiency, or even the feasibility, of economic planning for the so-called cellular production structure in China, there are no obvious signs that the industrial development has been hindered by such a system.

In Chou-En-lai's report cited above growth rates are revealed for a few key industrial items over the decade of 1964-74. Those rates may be compared with the corresponding growth rates in the 195o's. As can be seen in Table 1, the annual growth rates in 1964-74 are lower than the rates in 1952-57, except for petroleum and cotton yarn. Of course, the period of 1964-74 includes the few chaotic years when industrial production declined instead of growing.

Table 1: Comparison of Annual Growth Rates for Selected Commodities (percent)

	1964-1974	1952-1957
Steel	8.2	31.7
Coal	6.6	14.4
Petroleum	22.3	27.3
Electric power	11.5	21.6
Chemical fertilizer	15.7	28.4
Tractors	2o.o	
Cotton yarn	6.3	5.1
Chemical fibres	15.7	

Sources: 1964-1974: Chou En-lai, "Report on the Work of the Government", Peking Review, No.4, January 24, 1975, p.22.

1952-1957: Kang Chao, The Rate and Pattern of Industrial Growth in Communist China, University of Michigan Press, 1965, Appendix Table C.

Although the available data do not permit us to compute the average growth rates for the years after the Cultural Revolution, we do know the rates of increase for some items in 1971, which was a generally normal year[12].

Steel	18.o %
Pig iron	23.o %
Petroleum	27.2 %
Coal	8.o %
Cement	16.5 %
Chemical fertilizer	2o.2 %

Except for petroleum the rates of increase in 1971 are still lower than the corresponding rates accomplished in the First Five-Year Plan period. The achievements are not as "spectacular" as the previous records; they are never-

theless quite remarkable as compared with the industrial developments in many other countries during the same time period.

The petroleum industry is an exceptional case because several rich oil fields have been newly discovered. China's total output of crude oil increased by 150 percent between 1970 and 1973. In the last two years she even managed to export oil to Japan, though the quantity was no significantly large. In the same time she imported from the West and Japan nearly $ 2 billion's worth of refining equipment and petrochemical plants. All these indications point to the fact that petroleum production is a rising star in China's industry and she will soon be a major oil exporting country.

It should be pointed out that while the Chinese planners have become more prudent in terms of speed they have not given up their basic strategy - concentrating on the producer goods production. As clearly manifested in Table 1, the growth rate of cotton yarn, by far the most important item in the production of consumer goods, is the lowest among the eight items. Moreover, the bulk of the increase in cotton yarn output took place in 1964-66, i.e. the period when the economy was gathering the recovery momentum after the deep depression but before the disruptive effects of the Cultural Revolution were fully felt. This can be seen from the estimated outputs of cotton yarn in various years (in 1,000 bales)[13].

1964	4,590
1966	7,070
1970	7,700
1974	8,500

From the output data growth rates may be derived for the three time intervals.

1964-1966	24.1 %
1966-197o	2.1 %
197o-1974	2.5 %

The rate of increase was so high in 1964-66 simply because the preceding depression was so serious that the average utilization rate of cotton spinning capacity in the country had sunk to less than 4o percent[14]. By 1966 the cotton textile industry was fully recovered. But the growth rate in the subsequent years has been maintained at such a low level that it barely matches the population growth. This explains why many tourists who have recently visited China report that the average quota of cotton cloth ration in China has been maintained about six meters per person for many years without any upward ajustment[15].

While for the industrial sector as a whole the achievements after the Cultural Revolution are considered satisfactory the performance of agriculture in the period is quite disappointing. Chou En-lai discloses a 51 percent increase in the total value of agricultural output between 1964 and 1974. This may be converted to an annual growth rate of 4.2 percent. It should be noted that the bulk of the increase took place in the years prior to the Cultural Revolution, reflecting the recovery momentum. Furthermore, non-grain crops scored better than grain crops.

The situation can be better understood by examining the official production statistics of grain crops which account for nearly 8o percent of the total sown area in the country:

1967 23o million metric tons[16)]
197o 24o million metric tons[17)]
1971 246 million metric tons[18)]
1972 24o million metric tons[19)]
1973 25o million metric tons[2o)]

This performance is regarded as unsatisfactory for a number of reasons.

First of all, the recent records of grain production are unsatisfactory because they fall short of the population growth in the period. In August 1974, the head of the Chinese delegation to the World Population Conference in Bucharest revealed that the population in the PRC was about 8oo million[21)]. Another member of the delegation gave the recent growth rate of the Chinese population as 1.7 percent per year[22)]. Yet the growth rate that one can derive from the grain output figures of 1967 and 1973 is only 1.4 percent. Obviously, if the disparity between the two growth rates cannot be eliminated in the future the country will have an increasingly heavy burden to feed her people by importing food grains.

The recent performance of agriculture is considered unsuccessful in yet another sense. It is poorer than the previous records during normal years. According to the official data the average growth rate of grain procuction in 1953-57 was 3.7 percent[23)]. If an adjustment is made to remove the overstatement due to the underreporting of farmland in the early years, the above growth rate may be scaled down to 2.3 percent[24)]. Even if the adjusted rate is taken, it is still substantially better than the recent growth rate of 1.4 percent.

More important from a technical point of view is that the recent production of grains in the country appears to

be extremely disappointing when compared with the quantities of inputs devoted to the production. As is well known, the Chinese agriculture in the 195o's and early 196o's suffered either from the lack of modern inputs such as chemical fertilizers or from some inappropriate technological measures such as the disastrous irrigation systems. But this was not the case in the years after the Cultural Revolution. Having learned the lessons from their previous mistakes the Chinese planners began to adopt a sound and balanced technological policy concerning agricultural production in recent years. The period after the Cultural Revolution also saw an enormous augmentation in the supply of modern agricultural inputs such as new and better seeds, farm machinery, electricity, and chemical fertilizers. Unfortunately, the outcomes as manifested by the grain output figures do not appear to be consistent with the picture we see on the input side.

In the trip report of the U.S. Plant Studies Delegation which visited the PRC during the period August 27 to September 23, 1974, the American experts heartily hail the agricultural research and promotion works in China, which are described as both very extensive in scope and highly fruitful in result[25]. According to the information obtained by the delegation, the first high-yielding dwarf indica varieties of rice were introduced into commercial production in south China in the early 196o's, and the first seed of IR 8 was introduced into China in late 1967. They spread so rapidly that by 1973 they were being grown on 6.7 million hectares, or more than 2o percent of the total sown area of rice in the whole country[26]. In addition there are other new strains of dwarf rice varieties developed by Chinese scientists from their own breeding

programs. In fact the delegation saw very few tall-strawed rice varieties during their entire journey. Similarly, high-yielding winter wheat varieties have been developed since the 196o's. The improved strains were being grown in 2.5 million hectares in 1965 and they are believed to have covered much larger areas at present[27]. During 1973 and 1974, 5,ooo and 15,ooo tons, respectively, of seeds from several varieties of dwarf Mexican spring wheat were purchased and introduced. In some provinces, 6o to 7o percent of the area sown to corn is said to be growing the high-yielding hybrid strains[28]. In addition, the cultural practices of Chinese farmers are said to have improved and now appear to be sound and scientific to the American experts[29].

There have been numerous reports from Chinese publications about the improvements on existing irrigation systems and the building of many many new ones. Prior to the Cultural Revolution irrigation systems in China were not only poorly constructed but also preponderantly of the gravity type. As is well known, gravity irrigation is land-consuming, a drawback that is especially serious in countries like China where farmland is extremly scarce. In recent years, many old irrigation systems have been reconstructed and pumping installations have been added. The total capacity of power irrigation and drainage was 7.3 million horsepower in 1964[3o] but it rose to 3o million horsepower by 1974[31]. There were less than 1oo,ooo power-pumped deep-wells in the northern plains in 1965 but the number was raised to 1.3 million by 1974[32]. According to independent estimates electric power consumption in agriculture rose from 2.5 billion kilowatt-hours in 1964 to 5.5 billion in 1971[33]; most of it was used for operating pumping facilities.

Because of their yield-raising effect, the supply of fertilizers deserves special attention. The total supply of chemical fertilizers in the PRC in 1964 was 7 million metric tons in gross weight or 1.4 million tons of plant nutrients[34], but the amount rose to 29 million tons in gross weight or 5.9 million tons of plant nutrients in 1973[35]. Nearly 90 percent of the chemical fertilizers have been applied to grain crops. In addition, Chinese farmers still adhere to their old tradition of using all sorts of organic fertilizers.

There are numerous official reports about the average yield increments per unit of fertilizer applied in the earlier years[36]. In 1959, the yield responses per kg gross weight of ammonium sulphate (21 percent) were 3 to 5 kg for rice and 2 to 4 kg for wheat. The yield responses were slightly higher in 1962-63, 4 to 6 kg for rice and 3 to 5 kg for wheat. Apparently, the stage of diminishing returns had not set in by then because of the small doses of fertilizers applied. Without similar data on yield responses of fertilizers for recent years one can only find some general indications from the aggregate data.

The amounts of nutrients from both native and chemical fertilizers applied in 1970-73 are estimated to be as follows[37] (in million metric tons):

	Nutrients from Native Fertilizers	Nutrients from Chemical Fertilizers	Total Nutrients
1970	4.03	4.08	8.11
1971	4.09	4.64	8.73
1972	4.15	5.22	9.37
1973	4.21	5.89	10.10

Taking 1970 as the base year, the cumulative total of nutrients applied over and above the 1970 level is 3.87 mil-

lions tons (o.62 + 1.26 + 1.99) for the period 1971-73.If we assume that 15 percent of fertilizers have been distributed to non-grain crops the increment of nutrients for grain in the period would be 3.29 million tons (3.87 x o.85). Yet, for the same period, the cumulative total of grain output over and above the 197o level is 16 million tons, i.e. 6 million tons of 1971 plus 1o million tons of 1973. The implied marginal yield response is 4.86 tons of grain from each ton of nutrient applied, or just about one ton of grain from each ton of ammonium sulphate equivalent (in gross weight). This is a drastic decline from the yield responses reported for the 195o's and 196o's.

If we exclude the bad crop year of 1972, there are 16 million tons of incremental grains and 2.22 million tons of extra nutrients applied. The implied marginal yield response would be 7.2 tons of grains from each ton of nutrients, or about 1.5 tons of grains from each ton of ammonium sulphate equivalent (in gross weight). Even this represents an abnormally rapid diminution of returns in fertilizer application in view of the small dose per unit of area. If the returns continue to decline at such a rapid rate, it would not be long before China reaches the point at which it does not pay to increase fertilizer application.

On the basis of the scanty official data it is difficult to identify the factor or factors responsible for the retardation in agricultural production. Since there is no sign indicating that modern inputs have been misused or abused on a large scale, one would be led to suspect that there might exist some institutional elements which are not conducive to agricultural production. The whole problem might boil down to a matter of incentives

and it could not be remedied by the Marathone ideological indoctrination as some people have expected. In fact, the Chinese policy makers must have realized this serious problem. Thus a special direction was issued by the central organ of the Chinese Communist Party at the end of 1971, stressing three points: (1) Agricultural production units should not make excessive accumulation. (2) The government procurement quotas for farm products were not to be increased in the next five years. (3) The principle of "from each according to his ability and to each according to his work" should be strictly observed and the egalitarian tendency must be overcome[38]. More important, the new constitution passed by the Fourth National People's Congress in January 1975 guarantees the system of private plots in the rural areas.

To sum up, the experience of the Chinese economy after the Cultural Revolution proves that the system "works". But it works better in some sectors than others. Unfortunately, the sector in which it works least satisfactorily happens to be the most crucial sector for the whole economy. Until the Chinese government can successfully solve the problems in agricultural production the economy will remain vulnerable.

Footnotes:

1) He frankly conceded this in an interview with Edgar Snow. See Edgar Snow, "Talks with Chou En-lai, The Open Door", The New Republic, Vol.164, No.13 (March 27,1971) p.2o

2) Ibid.

3) Kang Chao, Agricultural Production in Communist China, 1949-1965, The University of Wisconsin Press, 197o, p.246

4) The figure was given by Anna Louise Strong in her "Let-

ters from China", as cited in Benecict Stavis, Making Green Revolution: The Politics of Agricultural Development in China, Cornell University, 1974, p.13.

5) Peking Review, 1975, No.4 (January 24), p.22.

6) Kang Chao, "Policies and Performance in Industry", in A.Eckstein, W.Galenson, and T.C.Liu, Economic Trends in Communist China, Aldine Publishing Company, 1968, p.585.

7) Op cit, p.579.

8) More large and medium-sized plants had been completed in the six years of 1953-58 than what have been accomplished in the last ten years. Besides, the average size of large projects, an open-end class, was very likely to be bigger in the 195o's.

9) See Audrey Donnithorne, "China's Cellular Economy: Some Economic Trends Since the Cultural Revolution", China Quarterly, No.52, October/December, 1972, pp. 6o5-19.

1o) See Frederick C.Teives, "Before and After the Cultural Revolution", China Quarterly, No.58, April/June, 1974, p.336.

11) Audrey Donnithorne, "Recent Economic Developments", China Quarterly, No.6o, December 1974, p.774.

12) "New Leap in China's National Economy", Peking Review, No.2, January 14, 1972, p.7.

13) Kang Chao, The Development of Cotton Textile Production in China, forthcoming, Chapter 1o, Table 1o-5.

14) Op cit.

15) For instance see L.G.Reynolds and others, Observations on the Chinese Economy, New Haven, December 1, 1973, pp.58 and 86.

16) Anna Louise Strong, Op cit.

17) Jen-min jih-pao, December 3o, 1972.

18) Jen-min jih-pao, January 1, 1972.

19) Jen-min jih-pao, December 3o, 1972.

2o) Peking Review, No.1, January 1, 1974, p.2.

21) Peking Review, No.35, August 3o, 1974, p.9.

22) Hsing-tao jih-pao, August 23, 1974.

23) The Chinese State Statistical Bureau, Ten Great Years:

Statistics of the Economic and Cultural Achievements of the People's Republic of China, 1960, p.120.

24) Kang Chao, Agriculture Production, p.227.

25) Trip Report of the Plant Studies Delegation to the People's Republic of China, submitted to the Committee for Scholary Exchange with the People's Republic of China, April 1975, pp.25-6.

26) Ibid.

27) Ibid.

28) Ibid.

29) Ibid.

30) Jen-min jih-pao, December 31, 1964.

31) Peking Review, No.1, January 3, 1975, p.11

32) Ibid.

33) A.L.Erisman, "China: Agricultural Development, 1949-1971", in People's Republic of China, An Economic Assessment, Congress of the United States, 1972, p.138.

34) Kang Chao, Agricultural Production, pp.151 and 156.

35) Kang Chao, "Production and Application of Chemical Fertilizers in China", a paper to be published by China Quarterly soon.

36) Jung-chao Liu, China's Fertilizer Economy, Aldine Publishing Company, 1970, pp.109-110.

37) Kang Chao, "Production and Application of Chemical Fertilizers in China", Table 4

38) Jen-min jih-pao, December 27, 1971.

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CHINESE-STYLE SOCIALISM: SOME ASPECTS OF ITS ORIGIN AND STRUCTURE

Kazuma Egashira

Chinese-style socialism contrasts in various fundamental ways with Soviet socialism. Socialism as practiced in China is based upon the principles that emerged in two great struggles—the General Line of Socialist Construction (The Great Leap) of 1958 and the Great Proletarian Cultural Revolution of 1966. In both these mass movements, the biggest problems for the leadership were posed by the peasants and agriculture. In response, Mao Tse-tung sought to organize a rapidly paced revolution with communistic equality as its idealist objective. Things got out of hand occasionally in the process, with left extremism and anarchic proclivities raising their ugly heads. On the economic front, there was disregard for proper accounting methods in business and a tendency to ignore rationalistic systems and rules. In the People's Communes, organizational discipline was disrupted. This constituted a direct collision with objective economic principles and wreaked havoc on economic order, inviting production stagnation.

These events underline the fact that, in the end, Mao Tse-tung was governed not by idealism but by pragmatic, politically motivated principles. Because of this, when the political situation was brought under control, the economy began to recoup, following objective economic laws, and the high tide of the Cultural Revolution receded. However, we must not overlook the fact that while planned and socialist, the Chinese economy has really lacked an effective central design. The importance assigned agriculture in the economy has contributed in no small way to this situation. In actuality, it has proven too difficult to include the traditional-type small and middle scale factories, irrevocably tied to the commune's peasant economy, into the central economic plan. These circumstances were largely responsible for the government's granting a large scale shift of power from the Center to the localities during the 1957 economic reform. The exchange of agricultural produce and manufactured goods also proved difficult to incorporate into a

set plan. As one might have expected, a market economy was a necessity and administration through the market economy proved to be the most efficient way to provide the peasants with the largest possible materialistic incentive.

But as the economy began attaining some semblance of order, a slipping back into capitalism became more pronounced. In an economy notably weak with respect to planning, control via the mechanism of renewed political movements became necessary. Since 1950, large scale political movements have been reoccurring every six or seven years, establishing a mutual rhythm of greater and lesser control.[1]

If we trace these problems further, we would conclude that there were endemic political difficulties in trying to unify a country with a population of 700 million, parcelled out in basic units of village-type communities, into a modern industrialized state. These could not be handled easily even through the socialistic pattern of "democratic centralization" and a powerful leadership utilizing the "dictatorship of the proletariat" principle. They did, however, provide an incentive to politics and repeatedly provoked intra-party disputes. In these struggles, Mao demonstrated a remarkable ability to outmaneuver his rivals and opponents.

The main task of the Tenth National Congress of the Communist Party of China (August 1973) was to repudiate "the anti-Mao, anti-socialist plot engineered by Lin Piao," former party Vice Chairman and Defense Minister. The political report of Chou En-lai revealed a surprising secret in alleging that Lin Piao had prepared a political report for the Ninth Congress asserting that he "was against the continuing revolution under the dictatorship of the proletariat, and that the pressing business at hand after the Ninth Congress was to increase production." The secret was that Chairman Mao had rejected this report and that Lin had subsequently read a report drafted by Mao and the Central Committee. Chou claimed that Mao's political report underwrote the Cultural Revolution line, while Lin's abortive report negated the Cultural Revolution. Chou continued by disparaging Lin's line as "the same kind of stuff that Ch'en Po-ta and Liu Shao-ch'i smuggled into the resolution of the Eighth Congress (1956)."[2]

Although the contents of the report prepared by Lin Piao have not been made public, its gist may be gleaned from the resolution of the Eighth National Congress to which Chou referred. This resolution specified that the principal contradiction of the time was between the people's demand to build up an advanced industrialized nation and the

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1 Mao Tse-tung stated at the Chengtu Conference on March 20, 1958, that "If we have only haste and toil, that is one-sided. To be concerned only with the intensity of labour—that won't do, will it? In all our work we must use both deliberation and haste. . . . We could not keep fighting one battle after another. There is a rhythm in warfare, too." Stuart Schram, ed., *Mao Tse-tung Unrehearsed: Talks and Letters 1956–71*, pp. 106–107.

2 From Chou En-lai's report at the Tenth National Congress of the Chinese Communist Party.

existing reality of a backward agricultural country. "The substance of this contradiction is that while our country already has the foundations of a socialist system, there is a contradiction between the advanced socialist system and the backward productive forces of society." The "contradiction between the advanced socialist system and the backward productive forces" may be regarded as characteristic of the "transition period from capitalism to socialism." Given this position, the first national priority had to be that of developing those production forces conducive to the realization of an industrialized socialist society. This is said to be the substance of Liu Shao-ch'i's policy, and also the essence of Lin Piao's position in the period after the Cultural Revolution. In the earlier period (1956), to be sure, the outlook for the Chinese socialist revolution and construction was optimistic, with China following the classic Soviet model.

Mao, however, did not approve of an industrialized socialist society in this form; he saw socialism as a historical stage in the transition "from capitalism to communism." Accordingly, Mao felt that what was needed during the socialist stage of development was a permanent revolution. Thus, even if the form of production were changed to collective ownership by all of the people, it was still necessary to reinforce the dictatorship of the proletariat and, according to the principle of class struggle, perpetuate the revolution. The continuous revolution would serve not only to develop production forces but also to transform all parts of the superstructure which did not conform to the economic base of the country so that the danger of a capitalist revival might be exposed and prevented.

These ideas took their most complete form in the Great Proletarian Cultural Revolution and were later resurrected in the "anti-revisionist rectification," the "anti-Lin, anti-Confucius" and the "advance the dictatorship of the proletariat" movements.[3] That the Cultural Revolution expounded and put into creative practice these themes can be seen in the slogan "struggle against the capitalist roaders in the Party" and "certify and strengthen the dictatorship of the proletariat in the superstructure."[4]

This viewpoint was intertwined with a new image of the Soviet Union, which had previously been heralded as a state of the whole people representing "a total and final victory for socialism." Now developments in the USSR were re-evaluated[5] as not having resulted in

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3 The "P'i-hsiu cheng-feng" (the anti-revisionist wind) was an anti-revisionist movement begun in September 1971 at the Second Plenum of the Central Committee. This was generalized in the first half of 1973 after the Lin Piao incident. The "anti-Lin, anti-Confucius" campaign was a national scale political thought reform effort to criticize Lin and Confucius: the Lin Piao incident's "ant-revisionism" was combined with the "anti-Confucianism" criticism at the Tenth National Congress in August 1973.

4 Taken from Lin Piao's political report to the Ninth National Party Congress.

5 Toshio Kuroda, "Chūgoku kara mita soren" ("A Chinese View of Russia"), *Asia Keizai Jumpō*, no. 918, August 10, 1973.

a revolution in the superstructure but, rather, having taken an anti-socialist turn. Thus a "new class" had hijacked the political controls, leading the state from socialism to revisionism, and finally into social-imperialism. This new class was called the "bureaucratic monopoly bourgeoisie." It was a "privileged bourgeoisie class" made up of corrupt elements of the Party, governmental organs, industry, and agricultural bureaucrats who with the bourgeoisie intelligentsia had taken a controlling position in Soviet politics, military affairs, economic and cultural areas during the years of Khrushchev's rule, growing into a new class.[6]

Supposedly to counter this, the Maoists have striven to eliminate the conditions under which such a new class might emerge. In effect, they sought rigorously to detect anything they regarded as "a capitalistic element," and then set an opposition struggle in motion, proclaiming this a "class struggle" to fight bourgeois resurgence. During the Cultural Revolution, the criticism of Liu Shao-ch'i's line as a "class revival of capitalism," was precisely such a manifestation. The Liuist line which manifested itself in the Eighth Congress' resolution in the form of a stress on the development of production forces, was also repudiated by the Cultural Revolution. Similarly, Lin Piao's draft political report was also rejected as following the Liuist line and "Mao thought" was reconfirmed as the ultimate orthodox philosophy for the party.

In this way, China turned its back on the Soviet-style of socialism and development, and pursued a uniquely Chinese-style of socialism centered around a strengthening of the dictatorship of the proletariat and the class struggle. It was natural that the Chinese should turn their backs on the Soviet Party after rejecting it as revisionist and assert that China was the true representative of orthodox Marxist socialism. Interestingly enough, this claim has been challenged by a North Korean Communist source who recently asserted that an evaluation of the orthodoxy of Soviet and Chinese socialism would be better left to the judgment of history.[7]

The periods devoted particularly to the promotion of a uniquely Chinese socialism were the "General Line for Socialist Construction" undertaken in 1958 and the Great Proletarian Cultural Revolution commencing in 1966. The attacks launched against the prevailing order in these periods centered around recognition of social and economic imbalances and contradictions reportedly impeding the advance of socialism. In concrete terms, the situation was not the same in the two periods, but through the General Line and the Cultural Revolution, an effort was made to strengthen "the dictatorship of the proletariat," and, with this newfound power, to transform production relationships and the superstructure itself. In sum, the essential similarity in the two

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[6] "Leninism or Social Imperialism" from a joint article in the *People's Daily*, *People's Daily-Liberation Army Daily*, and *Red Flag* in the fourth quarter of 1970.

[7] Hei-shoku Kin, "Gendai Chosen no kihon mondai," ("Basic Problems of Present-day Korea"), 1964, p. 111.

periods lay in the fact that the Maoists, rather than emphasizing specific countermeasures in the economic sphere, sought to deal with functional problems in the political sphere. Thus by looking at conditions on the eve of the General Line and the Cultural Revolution, we can perhaps understand some of the factors underlying Chinese-style socialism.

The Situation Prior to the General Line

The conditions prevailing prior to the Eighth Party Congress in 1956 and at the end of the first Five-Year Plan in 1957 were not quite as favorable as the resolution adopted by the Eighth Congress had forecast. The priority given to heavy industry and the method of industrialization had magnified the differences between peasants and workers, and a rapid 2%-plus growth in population was holding back the pace of the ambitious industrialization. The speeding up of the tempo of agricultural collectivization in 1955 was aimed at overcoming the disruption that the high priority on heavy industrialization was causing in the villages. Mao announced the revision of the priority given to heavy industrialization in his "On the Ten Great Relationships" in April 1956.

Tables 1 and 2 show the limping economic development and the imbalance between agricultural and industrial development. The high

TABLE 1: Average Annual Economic Growth, 1953–1956, in percentage

	1953	1954	1955	1956
Individual income	17.1	8.7	5.4	10.6
Individual income accumulation rate	18.3	21.6	20.5	22.8
Industrial agricultural production	14.4	9.4	6.6	66.4
Industrial production	30.2	11.8	5.6	28.2
Agricultural production (including non-agricultural rural production)	3.1	3.3	7.7	4.9

SOURCE: State Statistical Bureau

TABLE 2: Agricultural Conditions, 1953–1956

	1953	1954	1955	1956
Farm village population (in thousands)	510,290	520,170	531,800	538,650
Cultivated land area (in hectares; 1 hectare = 2.47 acres)	108,529	109,355	110,156	111,825
Land area cultivated per capita (in hectares)	0.214	0.210	0.207	0.207
Agricultural and non-agricultural production (millions of yuan)	49,915	51,566	55,544	58,285
Rural production per capita (in yuan)	97.9	96.1	104.4	108.2

SOURCE: State Statistical Bureau

population growth rates not only affected agricultural development, but also adversely affected rural employment and delayed improvements in the rural standard of living. Rice riots flared up after the November harvest of 1956, and the peasants emigrated into the cities. The State Council, on both December 30, 1956 and December 18, 1957, issued "Instructions for the prevention of peasants blindly flowing from the farm villages."[8]

This economic situation was further affected by the Hungarian and Polish incidents which came in the wake of the bombshell dropped in Khrushchev's report to the Twentieth Congress of the Soviet Communist Party. His report expounded three basic policies: (1) the possibility of a proletarian revolution through peaceful means; (2) the need to accelerate liberalization and anti-Stalinization; (3) peaceful co-existence with differing political systems. This new line, however, backfired in Eastern Europe, which had originally been brought into tow by Stalinist-type leaders. The desire for liberalization and freedom from Soviet rule found expression in Hungary's anti-establishment riots and Poland's workers' rallies. In China too, this anti-Stalinist line and the trend toward liberalization resulted in the Hundred Flowers movement. China's internal chain reaction differed little from that of Eastern Europe.

This period was marked in China by anti-establishment intellectuals holding massive rallies at Peking University and other major universities to protest against an educational system which emulated that of the Soviet Union. Criticism of the establishment began to appear in the form of the famous wall posters. Students rejected the leadership of the Party Committee, while professors at most universities and technical schools demanded the freedom to draft their own school curriculums. Standing at the apex of this anti-Soviet and anti-establishment movement were various democratic party faction leaders, Chang Po-chun and Lo Lung-ch'i and their followers, who made a frontal assault against Party control.

China's liberalization movement, thus, shook the dictatorship of the proletariat (i.e., Party control) to its very roots. The Party's policy of liberalization quickly changed over to one of an anti-rightist struggle. As a prescription for overcoming the present crisis, Mao offered his "On Correctly Handling the Contradictions Among the People." With respect to the international communist movement, the Chinese Communist Party expressed serious reservations on the emphasis given to the possibility of a peaceful revolution, showed interest in violence as the means to seize power, and questioned the possibility of peaceful co-existence with imperialist nations.

Soon after the Soviet Twentieth Party Congress, at the Soviet-sponsored Moscow World Communist Party Conference in 1957, Mao

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[8] Kazuma Egashira, "Chugoku no jinko to koyo," ("China's Population and Employment"), Mainichi Shimbun Population Studies Committee, ed.

advocated this line and entered into a bitter polemic with Khrushchev. "On Correctly Handling the Contradictions Among the People" was viewed originally as leaning toward liberalization; actually it was a "revolutionary concept" purporting to analyze and deal with the contradictions inherent in the socialistic stage of development, and propagating a continuing revolution in socialism.

At the Second Conference of the Eighth Party Plenum where the anti-rightist struggle and the World Communist Conference were discussed, the "general line for the construction of socialism" was put forth. The general line provided for three Five-Year Plans, a program to bring about the type of independent industrial system which was characteristic of modern states, and a policy opting for high-speed economic growth. The policy envisioned a vast increase in food and steel production, a Great Leap Forward, consolidation of cooperatives, and forming People's Communes with elements of workers, students, soldiers, peasants, and merchants.

The year 1958 saw the announcement of a two-fold increase over 1957 food production from 185 million tons to 375 million tons. Similarly, steel production reportedly rose from 5,940,000 tons in 1957 to 13,690,000 tons (with 9,530,000 of it produced in modern factories and 4,160,000 produced by traditional methods). Subsequently, however, these bloated figures for food production were revised downward to 250 million tons (western estimates of the actual food production are in the neighborhood of 200 million tons). Also, the iron and steel produced by traditional methods were largely useless. This general line, the Great Leap Forward, and the People's Communes were called the Three Red Banners. In principle, the general line envisioned a high-level socialist society, but it failed to spell out any clear-cut concept of the nature of this transitional stage of socialism or the means to realize it. Rather, under the heading of "a dictatorship of the proletariat in a socialistic system," the theme of "accomplishing a continuing socialist revolution on the political and ideologic fronts," was raised anew as the harbinger of the unique Chinese-style socialism to come.

The State of Development Preceding the Great Proletarian Cultural Revolution

The policies of the People's Communes and the Great Leap Forward aroused debate both at home and abroad. Within the Party, Politburo member and Defense Minister, P'eng Te-huai, and the first ambassador to the Soviet Union, Chang Wen-t'ien, presented position papers stating that the People's Communes and the Great Leap Forward were wasteful and that they were examples of the fanaticism of the petty bourgeoisie. At the Eighth Central Committee Plenum at Lushan in September 1959, this criticism was rejected, and a resolution denouncing the P'eng Te-huai group for committing errors of right-wing opportunism was adopted. However, in 1959, 1960, and 1961, economic

conditions in China underwent the most serious decline. On top of the severe setback caused by the Great Leap, China was hard hit by unprecedented natural calamities and the sudden withdrawal of Soviet economic and technical assistance programs, as is well known. At the Ninth Central Committee Plenum in January 1961, a new policy was approved which stressed reducing basic construction programs and abandoning the policy of rapid industrialization. The six regional bureaus of the Central Committee (the Northeast, Southeast, Southwest, North, Southcentral, and Central) which had been abolished after the Kao Kang anti-Party plot, were resurrected. Rather than opting for an intensified management of a planned economy, they earnestly awaited economic recovery by depending on the forces of market economics. However, as the traditional small and middle factories were closed, peasants and workers who had lost their jobs drifted into the cities and further stimulated social unrest.

Party directives at that time noted that in the farm villages in Fukien, blackmarketing, buying and selling of land, buying wives, murder, and arson were rampant; superstition and dubious religious cults were becoming popular; and the influence of landlords and the rich peasants was growing.[9] Furthermore, "feudalist remnants" increased their influence and spontaneous tendencies toward capitalism were on the rise. As can be seen, the economic recovery and the adjustment period affecting the farm villages gave rise to various contradictions which vexed the leaders. Table 3 reveals the spotty development of industry and agriculture, and the subsequent differences and inequities which arose between the two.

The lack of a strong leadership and its failure to get a toehold in the farm villages undermined the foundation of the People's Commune system and the danger of a general breakdown of the socialist system itself became very real. The situation in the international environment seemed to threaten China's stability and safety further. Collusion between the U.S. and the Soviet Union seemed to encircle China, and American intervention in Vietnam, along with the beginning of escalation of the war, isolated China.

The crisis in the farm villages and the international situation worsened, leading to a hot dispute between Liu Shao-ch'i and Mao Tse-tung who had staked his political career on the ideological battle with the Soviet Union. Liu, advocating that the rural crisis should be handled via bureaucratic methods and that a policy of compromise should be followed in foreign relations, criticized the Great Leap Forward and advocated a reconsideration of the thesis expounded by the P'eng Te-huai. On the other hand, Mao viewed the rural crisis as "a dangerous revival of capitalism." In the midst of this transitional period, at the Tenth Central Committee Plenum in 1962, a resolution was adopted

[9] Lien-Kiang Documents, *The Asia Quarterly*, 1:2, July 1969.

TABLE 3: Economic Growth, 1961–1965

Period	GNP (billions of dollars)	Population (millions)	Per capita income (dollars)	Industrial production index (1957 = 100)	Agricultural production index (1957 = 100)
1961	7.2	701	103	177–110	78
1962	7.9	710	112	108–113	90
1963	8.2	721	114	119–125	70
1964	9.0	735	112	133–142	96
1965	9.7	751	129	148–161	101

SOURCE: *Peoples Republic of China; An Economic Assessment, a Compendium Paper,* Joint Economic Committee of Congress of the United States (May 18, 1972).

under Mao's initiative that the rural crisis should be managed by using class struggle type tactics. With this resolution, Chinese-style socialism first came to public light. Following the line expounded in this resolution were the May 1963 "decision to confront the various problems concerning political maneuvering in the farm villages" and the January 1965 "decision concerning the various problems concerning the farm village socialist education movement." During this period the Liu Shao-ch'i clique continued their tenacious opposition, with the dispute finally being resolved via the Cultural Revolution. Between the Tenth Plenum and the Cultural Revolution, the political policies assumed tangible form with Mao's socialistic theory of the transition period from socialism to communism, the continuing revolution theory, and the class struggle under the dictatorship of the proletariat theory.

The Revolution in the Superstructure

In China, in accordance with Maoist theory of socialism, a creative application of the dictatorship of the proletariat is being vigorously put to test in the superstructure. Here, only industrial administration and educational reform can be discussed, but these represent two critical fields profoundly affected by Chinese-style socialism. Both are still in their formative stages of development and there remain many internal problems. But the thrusts—born of Chinese-style socialism's General Line and the Cultural Revolution—are toward the revamping of industrial management by direct cadre participation in labor as well as worker participation in management decision-making and toward a revolutionized education involving an emphasis upon creating a new worker-peasant intelligentsia and a new education program. Both efforts are in some degree based on China's agricultural and peasant problems. Indeed, one can note a certain success in the "peasantization" of all workers and technicians. This stands in fundamental contrast with the process in Soviet socialism, which was marked by technological and mechanical advances which "laborized" the peasants. But we must keep in mind that China plans to "laborize" the peasantry at a more advanced stage through the three great revolutionary movements.

Administration of Enterprises: In socialist enterprises, even if the means of production have undergone socialization, it has been regarded as more important to foster the human relations appropriate to socialism, thus giving the workers a chance for actual participation in production and administration. In the wake of the seizure of power during the Cultural Revolution, a "triple alliance" among workers, the revolutionary cadres, and the People's Liberation Army was set up in the form of Revolutionary Committees which exercised managerial authority within enterprises. Later, Party Committees were organized

with the Revolutionary Committees being placed under their control.

As this committee system evolved, fixed rules for determining elections methods, committee composition, and jurisdictional matters were defined. In the case of the Shanghai Watch Factory, a general meeting of 3,000 factory workers was held in late 1969, and Revolutionary Committee members were elected. This was markedly different from the power-grabbing style of the Cultural Revolution where representatives were chosen through "democratic consultation." The opinion of non-Party members from the masses, moreover, was reportedly sought concerning the composition of the candidate list. Candidates were selected out of trade union meetings. The factory's Party Committee would deal primarily with problems of ideology, politics, basic policy, and the larger problems related to production, while the factory's Revolutionary Committee would treat such matters as everyday production, administration, and technical procedures. The labor union, under the direction of the Party organization, was responsible for such matters as ideology, political education, execution of production tasks, supervision of foremen, and worker welfare. Thus the various leadership organs were organized under the motto of "we should have better staff and simpler administration with fewer levels." It was no longer the "triple alliance" of the Cultural Revolution, but the Party Committee—which at this specific factory included a secretary, two vice-secretaries, and six committeemen, plus the sixteen-man Revolutionary Committee (including a chairman, one engineer, and fourteen workers)—that exercised leadership. It is interesting to note also that, at this factory, authority was concentrated in the hands of a very few individuals. For example, the secretary of the Party Committee also held two other positions.[10]

As cadres become fixed in place, bureaucratism tends to emerge. As a precaution against this, the principle of "*liang-san, i-kai, san-chieh-he*" was formulated. *Liang-san,* or two participations, meant that the workers were to participate in administration, and that cadres were to participate in labor. *I-kai,* or one reform, meant that old stipulations that inhibited the development of production and positive participation by the masses should be reformed. *San-chieh-he,* or three combinations, was a "triple alliance" between the cadres, workers and technicians in the administration of the factory. This had already been systematized around the Great Leap period in 1958, but it was now labeled as "a revolution in industrial administration—a constitution for the leadership and management of socialist enterprises."[11] These principles were included in the March 1963 Anshan Iron and Steel Company Constitu-

10 "Policy Struggle and Business Management," *People's Daily,* May 10, 1972.

11 He-feng Wang, "Strengthen the Development of the *liang-san, i-kai, san-chieh-he,* and Raise the Standard of All Facets of Industrial Management," *Red Flag,* no. 15, 1960.

tion which was supported by Mao.[12] No great importance was attached to it during this period of adjustment, but during the Cultural Revolution it came into the limelight once again.

At the Shanghai Watch Factory, this system provided that the "staff" (meaning cadres, technicians, and specialist administrators) should labor together with the workers one day per week. Also a system for sending administrators off in turn to the country for long-term labor was established, along with measures to train technicians from the ranks of the workers. Of the 97 technicians at the factory, 22 were trained in this manner, and it was reported that the distinctions between the workers and the technicians were blurred as a result of this marriage between the two groups.

The Revolution in Education: The universities, virtually closed during the Cultural Revolution, were also the objects of a thorough reform program. Mao's May 7 Instructions, which sought an alliance between education and production workers, and Mao's July 21 Instructions, which constituted a resolution concerning the Cultural Revolution, together formed the guiding principles of educational reform. Under these policies, workers and some Mao-thought propaganda corps members of the People's Liberation Army residing on campus announced the re-opening of Ch'inghua University, a science and engineering school.[13] The plan for opening this school specified: (1) a basic guarantee of the right of the worker class to occupy the school and exercise leadership in educational reform, in order to build a proletarian class social system; (2) a need to create a proletarian professorial staff through a three-way alliance of workers, peasants, and soldiers; revolutionary technicians and engineers; and former professors; (3) that a new educational system be founded by putting factories in league with the schools —by managing factories in the schools, offering specialized curricula in the factories, and by focusing education on production, scientific research, and education science; (4) that workers and peasants with on-the-job experience be sent to the universities and, after a few years of study, recycled back into production; (5) the destruction of "snail's-paceism" and the old philosophy of having foreign devil compradores compile new educational materials for the proletarian class; and (6) the implementation of new educational methods through a strict observance of the mass line on production and scientific research.

The above concepts formed the basis for step-by-step changes in

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12 The Anshan Iron and Steel Company Constitution favored: (1) strict support for political superiority; (2) strengthened Party leadership; (3) implementation of the two participations, one reform, and three combinations (*liang-san, i-kai, san-chieh-he*); (4) propelling revolution and innovation in society. The date given in the following source for the "Anshan Constitution" was 1960. Later a more precise date, March 22, 1960, was given in "Constitution of Anshan Iron and Steel Company Spurs Revolution and Production," *Peking Review*, no. 16 (April 1970), pp. 3–5. The original source for this constitution is NCNA, International Service, August 25, 1967.

13 *Red Flag*, no. 15, 1960.

university education. It was accomplished with a thoroughness not seen in the period from 1951–1952 through the Great Leap period of 1958. Students were first enrolled on a trial basis in Ch'inghua University in March 1969. Six hundred students were recruited from among workers, peasants, and soldiers. In the three years up to the beginning of 1973, Ch'inghua enrollment reached 4,917 students. Four thousand students were enrolled in Peking University from August 1970 through 1973. Both schools were under central jurisdiction with provincial schools increasing their enrollments by following these examples. In 1973, new student enrollments stood at 153,000 and a first crop of 29,000 graduates was turned out under the new system.[14] The new student enrollments reached about the same levels as the years on either side of the Great Leap of 1958. The year 1973, then, may be regarded as the year when the universities were finally brought into normal orbit. Compared to the science and engineering schools, the opening of liberal arts schools came later, but 1973 may also be considered as the approximate period for the initial reshaping of these institutions.

In the university revolution, the manner of student recruitment was most extraordinary. The students were the "affirmative" elements coming out of the Three Great Revolutions. They had an average of three years of actual laboring experience and were around 20 years of age, chosen mainly from the ranks of workers, peasants, PLA soldiers, and young cadres. "Rusticated" young intellectuals (those who had been sent to labor in the countryside or back to their home villages) could apply to the universities with only a graduation certificate from junior middle school. The old system of taking an entrance exam after completing a course of three years of junior and an additional three years of senior middle schooling was summarily supplanted.

Entrance procedure specified that (1) the applicant voluntarily make a personal application for admission; (2) that he get recommendations from the mass organs with which he was affiliated; (3) that the application be ratified by the concerned leadership (which meant the Party Committee); and (4) that the university granting admission reexamine that candidate. It was a system combining recommendation and some degree of selection. At first no test was given to the applicants, but as the system became formalized in 1973, certain provinces held entrance examinations. In Liaotung, rusticated intellectuals criticized the manner in which the examinations were being held, and reform was once again proposed.[15]

Complete education and production labor were tied together under the dictum of forming factories in the universities—an educational method of having students learn through experience in the factories. Under the plan of "learn about society through the factory,"

14 Hsinhua News Agency, October 24, 1973 and December 29, 1973.

15 Yen Chu, "Why Must the University Recruiting System be Reformed?" *Red Flag*, no. 8, 1973.

mass-oriented or social investigation seminars were offered in the liberal arts schools. Courses and curricula were simplified, resulting in a reduction of the pre-reform five year university curriculum to a three year curriculum. There was a metamorphosis from a sprawling general university to a more college-style vocational school.

The reform in primary and middle school education went forward based on a plan by a Revolutionary Committee in Kirin called "An Outline for Primary and Middle School Education in Farm Villages (draft)." This outline called for new socialist schools administered directly by poor and lower-middle peasants under the tutelage of local organs of the Chinese Communist Party. Additionally, under the direction of the people's communes and the production brigades' party organization or under the Revolutionary Committee's guidance, revolutionary committees for middle schools were set up. The schools aimed at the enrollment of poor and lower-middle peasant families. In the best Triple Alliance tradition, committee participation came from people's communes, production brigade cadres, and revolutionary students and professors. In the primary schools, key leadership teams from the production brigades led cultural studies. The members participating in the key leadership teams in the schools came to assume responsibility for everyday affairs within the schools.

Just as in the universities, large-scale primary educational reform took place. Stress was on political thought and the curriculum was tied in with production work. In the farm villages, a concerted effort was made to extend a five-year primary education to all, with the sights raised to seven years where conditions were favorable.[17] It has been reported that with the Cultural Revolution there was a large-scale increase in the number of primary and middle school students.[18]

The systemization of "rusticating" young intellectuals merits attention as it is closely connected with the above educational reforms. In China, the term "young intellectuals" refers to those who have graduated from junior middle school and above. During the five years from December 1968 through December 1973, eight million young intellectuals were sent to agricultural and mountain villages.[19] As they were reportedly admitted into the universities on a preferential basis, this made going to the country a "must" for most students aspiring to higher things.

The rustication system went hand-in-hand with the educational reform program. Thus the intellectuals and technicians that were necessary for production switched from a straight-line to a cyclic, regenerational progression. In other words, they did not proceed on a direct

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[16] *People's Daily*, May 12, 1969.

[17] *Hsinhua News Agency*, December 27, 1971.

[18] The Chinese primary and middle school attendence in 1971 had increased 30% over the Cultural Revolution days of 1965. *Hsinhua News Agency*, December 27, 1971.

[19] *People's Daily*, December 23, 1973.

sixteen or eighteen year course from primary school through the university, but after eight years and graduation from junior middle school they went to the countryside, and later, the small number who then were permitted a three year university education returned anew to the villages as cadres. Further, the cadres could enter the May 7 Cadre Schools and work there for six months to a year, and in this way expand the cycle to the whole of society. As seen in the anti-Lin, anti-Confucius movement, the transformation of the superstructure was but a part of the forward march of the continuing revolution. The consciousness revolution being carried out through education drove these principles home.

In this fashion, the People's Republic of China seeks to merge intellectual and worker-peasant, cadre and worker, urban centers and countryside. Whatever the final outcome of this massive effort, it represents a dramatic departure from the Soviet model based upon a concentrated emphasis on rapid urban industrialization.

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[Reprinted from the New York Review, Oct. 14, 1976]

ON THE DEATH OF MAO

By John K. Fairbank

The word came ominously: "Power fight is on in China. 900 million mourning Mao" (*Daily News*, New York, September 10).

The reporting of the death of Mao told us as much about ourselves as about China: 1) Good news is not news; only when Mao dies can we devote much space to him. 2) We focus on Mao personally, not upon the vast revolution that gave his genius its opportunity. 3) Vaguely aware that, unlike us, China has no crisis of inflation, unemployment, crime, or corruption, we find what bad news we can in the Peking "power struggle." All bits of news can fit this interpretation. Does the Central Committee make a statement? "As if anticipating a power struggle for Mao's mantle, the Central Committee of the Communist Party issued an appeal for unity" (CP–UPI Peking, September 9).

Are "capitalist-roaders" attacked as usual? "The simmering power struggle among his political heirs broke into the open with demands for further purges of Mao's enemies . . . even as the official mourning began" (UPI Hong Kong, September 10). Evidence? The Shanghai party committee vowed to "deepen the criticism of Teng Hsiao-p'ing," which has been going on for six months.

What is this power struggle? On examination it turns out to be a *policy* struggle. (Mao taught struggle, of course.) It is between factions, to be sure, but over real issues that confront the revolution, in brief, whether to persist in the effort to change the character of people or settle down to material development. Ford vs. Carter is a more naked power struggle than anything going on in Peking. The policy differences are greater between the Peking factions than they are between Democrats and Republicans. "Power struggle" fits our 1976 election process. We understand it as a legitimate contest for power, with platforms and promises tailored to get votes and win power. But the Central Committee in Peking is not holding an election. It has power already. It confronts policy problems on which honest revolutionaries disagree.

By calling the conflict between the Peking policy factions a "power struggle," we do several things at once: we cut down dedicated revolutionaries, whose thinking condemns selfishness and personal aggrandizement, to the size of ambitious individualists of a type we know well—Chang Chun-chiao, for instance, is implied to be no more than John Connally with chopsticks. We impose our self-image on the distant Chinese scene.

"Power struggle" as an explanation of what is happening also eliminates the whole field of policy options and ideology, which we therefore need not try to understand. The "who succeeds Mao?"

approach sidesteps the great issues of the revolution. It reduces Peking's problems to the level of a contest among individual competitors—Moynihan or Abzug? Who succeeds Muhammad Ali? Who will be Miss America?

The trauma of Mao's death is real and great but we must try to see it in its Chinese setting. Unfortunately the esoteric jargon of Chinese politics befuddles as fast as it explains; one must find a middle ground to see China in English-language American terms. First of all, China is still in the shadow of an enormous, overhanging past. Mao was already a young man when the last emperor abdicated in 1912. Recently even he must have been impressed by the portent of the terrible Tangshan earthquake—so appropriate to the demise of a Son of Heaven. Mao complained of the Mao cult but I wonder if he could have avoided it. Having been the One Man for so long, in a spot set apart during 2,000 years for someone superhuman, of course he leaves a fearful hole at the apex of state and society.

China's ten days mourning reminds us of ours for FDR and JFK—an eerie time when even our commercials stopped; having no commercials, China's network is less disrupted. But to fill out the comparison we should add in our national cult of retrospective grief for Abraham Lincoln. The United States had only four years of our Great Emancipator who saved the Union. The Chinese have had twenty-seven of their Great Helmsman who brought unity. Few can remember anyone else at the top.

Moreover, they rely on moral personality and the slow accumulation of personal connections more than on due process to legitimize their leader. Mr. Ford would never have made it in Peking. That he did so with us testifies to our constitutional reliance upon legal procedures, which Confucians and Maoists alike have regarded askance as inhibiting true morality. China is thus more vulnerable and insecure than we are during a change of leaders. Sons of Heaven were removed only by death. So with Prime Minister Chou and Chairman Mao.

Insecurity is added by the increasing bitterness of policy disagreements since the Soviet model of national development (taking it out of the peasants) had to be discarded in the late 1950s. Going it alone in a uniquely vast, proud, and crowded land, the Central Committee has faced differences of opinion on a growing scale. Not least of its difficulties is the dedication of its members, and the crusading passion of the Cultural Revolution group among them.

Peking's policy issues have inhered in the distinction between the industrial revolution and the social revolution. The industrial revolution of modern times applied to China has increased production in both industry and agriculture through new technology, literacy, public health, capital investment, and new forms of organization. This is the province of those we label "pragmatists" or "moderates," whom we like to think we understand and can even identify with. (Actually they are sincere enemies of free enterpsie and individualism.)

The social revolution in China has been *sui generis*, quite beyond our experience, a struggle against China's most persistent heritage, the ruling-class tradition. This included the Confucian teachings of social order based on the natural inequality of status between elders, youth, men and women, rulers and ruled. The tradition was highly

elitist, expressed in ancient China's inventions in bureaucratic government, perfected by the T'ang build-up of the examination system, which for twelve centuries down to 1905 funneled Chinese talent into official life. The small ruling class produced China's great literature and philosphy, patronized her arts and commerce, and ran her affairs both local and imperial while living off the peasantry.

The attack on China's outworn social structure has been Mao's province from the beginning, ever since his heterodox report of 1927 on the peasantry as the real vanguard of revolution. "Liberation" during the Yenan decade from 1936 to 1946 brought the peasant a sense of freedom, literacy, and some technology. But primarily Yenan trained new party cadres to mobilize the peasantry for production, war, and politics. After 1949 the great mass organizations and national campaigns retrained the bureaucrats and scholars, and gradually eliminated both landlords and capitalists.

But Mao found to his dismay that it was not enough to eliminate the old ruling-class leftovers. The elitist virus was encysted within the body politic. The revolution's newly liberated peasants were not only incipient capitalists, European fashion, they also had it in their bones to rise in the social scale and make a new ruling class. Special privilege reappeared in the Communist Party apparatus, sprouting from the deep soil of China's tradition. In the Cultural Revolution of 1966–1969, Mao tried to root it out. How especially Chinese this problem is, how exotic to America, is evidenced in today's May Seventh Schools, where white-collar city workers from librarians to commissars regularly get their hands dirty farming like peasants. "Class struggle" thus has a special meaning in Chinese social history. "Serve the people" means no more upper-class privilege.

Yet this supremely Maoist slogan makes plain the problem it seeks to overcome. Chinese officialdom, now so extraordinarily swollen in size (the party alone is some 28 million), is heir to its own tradition of avowedly benevolent manipulation of the masses. In updating this upper-class responsibility to "bring order to the empire," Mao as sage and teacher has led in a process of tutelage, bringing the masses into political life, setting them upon the road of self-reliant development. The need for tutelage, to nurture self-government among a politically inert though often rebellious peasantry, was obvious to reformers like Liang Ch'i-ch'ao at the start of the century. Sun Yat-sen made tutelage central to his program. Mao has put it in other terms, but his would-be egalitarian order is still managed by an elite party. Travelers in the People's Republic are struck by the strong sense of hierarchy still remaining as a necessary component of social order and by the party cadres' sense of duty to "serve the people" as a special calling.

In short, Mao's revolution for the people could not be led originally by the people. Democratic participation had to be organized and distributed to them. Mao has been the Great Distributor—of peasant rights, women's emancipation, public welfare, scientific technology, self-respect, national pride. But distribution has its price. In filling up the valleys it tears down the peaks. The effort to change the character of the people has imposed orthodoxy and conformity, limitation of knowledge, suppression of individuality. Intellectuals are starved for books and cowed by doctrinaire organizers. Higher education was suspended for five years outright and has revived mainly as technical

training. But some Chinese distributionists argue that even higher technology can be imported when needed. They see no need for "pure science," only "applied."

In a curious way that is still unstudied, today's protagonists of moral principle (redness) over material technology (expertness) are reminiscent of nineteenth-centry scholar-officials who decried Western material inventions and espoused the imperial Confucian tradition of government by men of rectitude and virtue. Those impassioned conservatives wrapped themselves in Confucian righteousness and obstructed China's modernization for a whole generation. I am not suggesting a lineal descent from them to Mao (Chiang Ch'ing is no Empress Dowager) but merely a resonance of style. Militant denunciation by standards of absolute morality is an old Chinese as well as a Marxist custom. There is more history behind today's politburo diatribes than is visible to the gimlet-eyed astigmatism of American political science.

Peking's policy struggle of today thus has echoes of Peking's past at the same time that it arises over hard practical choices—how far to continue Mao's crusade against the elitism and special privilege of the past, how far to stress a necessarily elitist build-up of modern technology and expertise. "Red versus expert," moral-political qualities versus technical-productive abilities, will continue to be an issue. There are many other issues that outsiders can only dimly perceive through the veil of secrecy.

One is the issue of secrecy itself. How long can the Central Committee act like a palace guard immune to scrutiny? How long can the world press be treated as spies and reduced (or elevated?) to the Chinese practice of studying obscure poetic references and indirect historical allusions in order to understand policy? Probably this can go on for a long time. After Anglo-French gunfire secured in 1860 the right of Western diplomats to stay in Peking, it was another seventeen years before Chinese diplomats were stationed in European capitals. We cannot judge China by ourselves. But we try to every day.

Our handicap is our public ignorance of the secretive China we are dealing with. (Find a China specialist who does not feel ignorant and you have a fool.) To rely on "power struggle" as the key to understanding Peking is simplistic, a cheap way out. Underlying the competition for leadership, which may indeed produce disruptions at any moment, are policy problems so stark as to make Washington's seem like peanuts. And if, as seems not unlikely, our problems prove largely insoluble with or without peanuts, we can only begin to imagine those that burden the Central Committee in Peking. Mao and Chou with all their faults may look better and better as time goes on.

How to judge Mao Tse-tung will inspire a large literature among us. He was not a small man. Look at his treatment of the United States. Nineteenth- and early twentieth-century Americans in China did much to stir up the great revolution, but when it came to power in 1949 we opposed it. We fought the Chinese quite unnecessarily in Korea: after MacArthur landed at Inchon, and before he went for the Yalu to conquer North Korea, Chou En-lai explained to us that China could not let a friendly buffer state be supplanted by an avowed enemy on the border of her Manchurian industrial base. In Korea

we shot a million Chinese casualties. We later compounded this by bombing North Vietnam with many invasions of Chinese air space, a humiliation to all patriots. But Mao stayed out, and in the end—because we had become less of a problem than the Russians—he invited the leader of our defeat to visit Peking. Plainly he would sup with the devil for *raisons d'etat.*

With help from Chou En-lai and some millions of others, Mao has led the People's Republic through a phase of history that has now come to an end. Will we be able to achieve any greater understanding of China's problems now that he and his generation are gone? The new generation will be equally absorbed in domestic issues, as usual in China, and we shall have to understand them largely by our own efforts through barriers of language and ideology. Mao-and-Chou were a brilliant team, and we shall need to emulate their foresight, patience, and tenacity if we are to bring about normal relations by recognizing Peking's sovereignty over Taiwan while also ensuring the stability and autonomy of Taiwan.

But we have wasted the generation of opportunity afforded us in the aftermath of our period of activity in China up to 1949. The Chinese revolutionary leadership, when it came to power, had already had extensive contact with Americans and American ways. Chou En-lai had negotiated with General Marshall. Chou's director of information had attended a Shanghai missionary school; her sister had worked with Mrs. Roosevelt. China's first envoy to the United Nations was a graduate of Tsing Hua, the university supported by Boxer indemnity funds that America returned to China. His successor at the UN had attended Yenching University, the leading American missionary college. Edgar Snow was Mao's biographer. More Americans than Russians had got to Yenan when the People's Republic was in gestation there. The catalogue could go on and on.

Precisely because the American influence was so strong in China before 1949, the communist revolution felt compelled to wipe it out, just as the Americans felt a "loss of China" as a result. But in the contradictory dialectical way so characteristic of Mao's thought, the Americans, though on the wrong side in Chinese history, were nevertheless a known quantity with whom relations could be resumed, as they have been.

Now the generation that knew us has departed. The many American-trained Chinese professors and scientists are either dead or retired or close to it. In the last thirty years of estrangement since the failure of General Marshall's mediation in 1946, those who made the great revolution, and who knew Americans as one-time allies against Japan, have trained up a new generation, who know the Americans only as copybook capitalist-imperialists, the defeated bombers of Vietnam. The heritage of positive Sino-American relations before 1949 has been dissipated, not used when it might have been used to help achieve more constructive contact with Peking. The end of the Mao-Chou era has not eased our way toward peace and progress in Chinese-American relations.

GENERAL SUMMARY—CONGRESSIONAL STAFF TRIP TO CHINA

By John R. Stark

The trip which our Chinese hosts arranged for us was primarily a "field trip." We visited communes, farms, factories, stores, hospitals, neighborhoods, and municipalities. We did not have much discussion with high-level policymakers or their aides. Consequently any conclusions or analyses made are based on firsthand impressions gained from the many contacts made during our brief sojourn. Sifting through the profusion of experiences, I would set forth the following as my primary impressions.

The first, inescapable impression on entering Peking is that of great size. To begin with, there is the population itself, ever present in large numbers in the streets, railroad stations, towns, and fields. China's population is almost 1 billion—over four times our U.S. population. The consequences of being a part of this vast throng must have a profound effect on the Chinese. Privacy in our sense of the word is not possible; individual self-expression must be moderated; and limited resources make cooperation a more obvious necessity—especially in view of limited agricultural resources.

Second only to the vastness of the population, is the impression of great space. China is larger than the United States in geographical size. It borders on the following countries:

> North Korea, the U.S.S.R., the Mongolian People's Republic, Afghanistan, Pakistan, India, Nepal, Bhutan, Burma, Laos, and North Vietnam.

Most of the time, we travelled through the very fertile area between the Yangtze and the Yellow Rivers. It is lush and green in the summer heat and seemed to extend forever as we rode along in the hot train. China still has not achieved a high degree of mechanization in agriculture (so far as we could tell), and the land is a scene of constant human activity. Every field has numbers of people working in it.

A third impression is that of calmness and dignity. The Chinese must live among large numbers and consequently they are very accomodating. I will never forget coming out of the hotel at 3:50 in the morning, right after the earthquake, to see many thousands of Chinese quietly moving along the street, on foot, bicycles or buses, either going to work or finding place on the sidewalk in which to settle down for a while. This was the beginning of a long period of residency in the street, which lasted until August 15. It began to rain hard at 6:00 a.m. that first morning, but people did their best to adapt with plastic covers, tarps and anything else they could use for protection against the rain. Nowhere did we see panic or excitement.

In China, everyone goes about his business in a steady, serious manner. There is no suggestion of haste or excitement. I concluded that most of this dignity and self-control is a heritage from century-old

patterns; but no doubt political discipline adds to it. There are few people in China, one suspects, who can avoid the constant admonitions of their leaders to work hard, build China, become better socialists and serve the people.

Another feature that strikes the visitor is the serious and ideological character of the leadership. The country is controlled by the Communist Party, through a network that functions from the top down to all levels. Major decisions are made by the Communist Party through its own committees and carried out through the revolutionary committees. All cities, counties, communes, factories, neighborhoods, etc. are managed by the revolutionary committees. Communist representation on these committees is pronounced, thus providing an interplay between the Party, and the operational government structure. The present leadership is highly motivated, hardworking, disciplined and spartan. They openly scorn the "bourgeois bureaucracy" of the Soviet Union. Publicly, the people, by and large, appear willing to follow the Party leaders. Material well-being, although limited by our standards, is improving.

Their new leaders evince none of the "lazy, elitist corruption" of former leaders. They are fond of saying that China "has stood up," meaning it is no longer the supine victim of foreign exploiters and its own predatory aristocrats. No doubt the present leadership has given the great masses of the Chinese people a communal positivism—everyone works, everyone participates and there is a high degree of egalitarianism.

But, as we know from our studies, the pace is hard and there is question as to how long enthusiasm can be maintained without some considerable increase in material payoff. There is a negative side to this—a constant ritualistic repetition of Party slogans and a drum beat of criticism of former leaders now considered false prophets. They condemn Teng Chiao Ping, who replaced the former Premier in January, only to be ousted a few months later. He is constantly villified for rightwing deviationism although it is rather difficult to ascertain the specific charges against him.

One senses anxiety among all responsible people. They seem to be trying very hard to avoid the slightest suggestion of nonconformity to the prevailing line. Politically, there seems to be considerable concern about what will happen when Mao dies. Obviously, there are differing factors and influences in ruling circles and a great deal of uncertainty as to who will emerge as winner. So, the safest course for everyone is to outdo his neighbor in socialistic piety. As this comes across to the visitor, in the phraseology and conceptual framework of the Chinese society, it has a strange unreal air about it.

Official slogans constantly stress self-reliance—this applies to individuals, communities and to the nation. The Chinese would accept no help after the devastating earthquake; it was their problem and they believed that it was up to them to take care of it. Communes are encouraged to develop their own industries so they will not have to depend on others for help. In a similar way regionalism is encouraged. The leadership is trying to reduce the dependency of the country on the eastern industrial region. The people are constantly urged to criticize themselves, their peers and their immediate leaders—in order to improve their country.

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This doctrinal fervor comes originally from Mao's herculean efforts to change ancient patterns. Most historians would agree that Chinese people suffered for centuries from sterile and nonproductive leadership, from a jaded intellectual tradition and from the serious lack of social consciousness or even concern with the public interest on the part of the leaders. Hence, the effort to restructure basic thought patterns through developing a work ethic and through eliminating all intellectualism or bureaucracy that does not develop from the grassroots.

It strikes me that Americans can probably understand this better than other peoples because many of our ancestors came to America to escape societies where poverty, repression indifference and official corruption prevailed. But this gives us only a partial view. One suspects that the issues go far deeper in the Chinese culture and the changes must necessarily involve great inner tumult.

A question that particularly interests economy watchers is that of worker morale. We know that China has been able to invest in growth because consumer demand has been carefully restrained by the leadership. While there has been some improvement in food availability and in health care, material progress has been slow for workers. Housing is still poor. Radios and bicycles, while more prevalent, are becoming very expensive relative to wages, and clothing, although more plentiful, still limited in variety, style and color. Shoes are often of poor quality.

There is obvious desire for material improvement. The manager of the main Shanghai department store talked openly of it and claimed progress toward meeting it. How accurate is his assessment? All one can say, on the basis of a short trip, is that there is a long way to go. It won't be easy in a society that is heavily agricultural.

This leads to a more difficult question about the efficacy of efforts to promote a more egalitarian mode of production. Generally our U.S. system and that of the Soviet Union are authoritarian and hierarchical in structure. Has participatory democracy in the work shop and on the farm developed on a significant scale in China and if so, does it work? Generally, officials will answer yes—that it is in line with Marxist-Maoist ideals and that it parallels the political system where thoughts and proposals percolate up from the people through the hierarchy. They emphasize the use of regional rather than centralized development as a means of promoting "industrial democracy."

From our studies, we know that China has not yet moved to a high technology phase. Consequently, emphasis on regional development and localized intermediate technology makes sense. In pursuing this objective China has the advantage of a modest level of adequacy in meeting the basic needs of the people. Probably for the first time in China's history, people have enough to eat, are offered job opportunities and can obtain basic medical care. All visitors notice this.

But they also notice that China is drab. It would be interesting to find out how much consideration is given to this issue in policy circles. We know that the two cultural revolutions were encouraged by Chairman Mao to destroy incipient bureaucratic tendencies and to develop a sense of worker participation. The only firsthand hints of dissatisfaction were wall slogans that we saw, criticizing leadership, particularly in Cheng Chow.

Mao's vision of the more equitable society involved elimination of hierarchial power and prestige; reduction of distinctions among

military ranks; participation of the young in leadership roles; reduction of the gaps between rural and urban life and elimination of all elitism from education. The visitor hears much of this and is readily referred to examples.

In matters of economics, this egalitarianism thrust concentrated on reducing wage differentials and special bonuses. It also meant a sharing of authority by management with the workers. The white collar worker (the "cadre") were extensively re-educated in special schools where they performed manual labor on the farm and received political indoctrination.

But it is extremely difficult for a visting economist to gage how well this participation emphasis offsets the need for material incentive. This subject offers an intriguing focus to "China-watchers." Is it enough to compensate for a recreational diet of patriotic songs, visits to national museums and athletic events?

On a related point, we gather that generally, personnel are assigned to their jobs by the Government. In some cases they had asked for quite different jobs. One wonders whether this practice, in the long run, will have an effect on morale.

Another commentary, dealing with a very pleasant aspect of China's people, is their polite concern for guests. Our hosts were constantly concerned about us. They appeared on the scene quickly after the initial quake—some had been staying in the hotel with us. One of them went back into the hotel to get clothing for those of our group who had left without adequate street clothes. They even arranged, with some difficulty, I am sure, to take us sightseeing the day after the quake when our appointments had to be cancelled. They were also concerned about the effects of the heat on our comfort and well-being, even to the point of providing a steady supply of watermelon and beer to slake our thirst.

We did not have much opportunity to explore foreign policy issues. People we met took the position that failure on our part to resolve the Taiwan issue would block trade improvement with the United States. My impression is that expanded trade in the United States is not a basic concern to China now but that it does enter the longer term picture, when, hopefully, their economy will be more advanced and in need of our technology. Now they need very little from us outside of food and fertilizer. But they think we are eager for more trade. This conforms to their picture of a "capitalist imperialist power."

Politically, they seem to be strongly urging some performance on our part toward "normalization" of the Taiwan situation. Considering the political uncertainties that surround the death of Chairman Mao and the imminence of the Presidential election in the United States, this is not surprising.

The following is a list of delegation members and a chronicle of people and places visited in the People's Republic of China.

U.S. Delegation Members

Ms. J. Carol Berris: Program Director, National Committee on United States-China Relations.

Mr. Robert A. Best: Chief Economist, Senate Finance Committee.

Ms. Alison Brenner: Staff Consultant, House International Relations Committee.

Mr. Marian A. Czarnecki: Co-leader, Chief of State, House International Relations Committee.

Mr. Pat M. Holt: Chief of Staff, Senate Foreign Relations Committee.
Mr. William H. Jordan: Professional Staff Member, Senate Appropriations Committee.
Ms. Linda Kamm: General Counsel, House Budget Committee.
Mr. Harold T. Lamar: Professional Staff Member, House Ways and Means Committee.
Mr. Kenneth Lieberthal: Professor of Political Science, Swarthmore College.
Mr. W. Clark McFadden, II: Counsel, Senate Armed Services Committee.
Mr. Richard M. Moose: Staff Associate, Senate Foreign Relations Committee.
Mr. Hyde H. Murray: Counsel, House Agriculture Committee.
Mr. Michael Pertschuk: Chief Counsel, Senate Commerce Committee.
Mr. Thomas R. Saylor: Professional Staff Member, Senate Agriculture and Forestry Committee.
Mr. John R. Stark: Executive Director, Joint Economic Committee.
Mr. John H. Sullivan: Senior Staff Consultant, House International Relations Committee.

OUTLINE OF ITINERARY FOR THE CONGRESSIONAL COMMITTEE STAFF DELEGATION TO THE PEOPLE'S REPUBLIC OF CHINA, JULY 26 TO AUGUST 10, 1976

Monday, July 26

3:35 p.m.—Arrival at Peking Airport, Met by:
K'ang Tai-sha, Deputy Secretary-General, Chinese People's Institute of Foreign Affairs (Travelling Host).
Fan Kuo-hsiang, Deputy Divisional Chief, Chinese People's Institute of Foreign Affairs (Travelling Secretary).
Cheng Wen-chen, Staff Member, Chinese People's Institute of Foreign Affairs (Interpreter).
Ku Yi-jen (f), Staff Member, Chinese People's Institute of Foreign Affairs (Logistics).
Yin Tso-chin, Staff Member, Chinese People's Institute of Foreign Affairs (Logistics).
Chin Kui-hua, Staff Member, Ministry of Foreign Affairs (Interpreter).
David Dean, Deputy Chief, United States Liaison Office to the People's Republic of China.
Donald Keyser, Political Officer, United States Liaison Office to the People's Republic of China.
To Peking Hotel.
7:30 p.m.—Meeting at hotel with K'o Po-nien, Vice President, Chinese People's Institute of Foreign Affairs.
9:00 p.m.—Dinner at hotel.

Tuesday, July 27

8:40 a.m.—Visit to Peking University, Met by:
*Ni Meng-hsiung, Responsible Person, Revolutionary Committee Office.
*Ch'ao Szu-yi, Responsible Person, Education Study Group of the Revolutionary Committee.
Wu Chu-tsun, Professor of English.
Wei Shih-hua, Political Science teacher.
Mr. Ye, Chinese Language teacher.
Mr. Yen, Economics teacher.
Mr. Chin, English teacher.
Wang Kuo-lei, Student.
Mr. Ku, Student.
Tour of campus—library and big character posters.
12:30 p.m.—Lunch at hotel.
2:20 p.m.—Visit to Fu Sui Ching Street Committee, Met by:
*Lin Ch'ih-ch'u, Deputy Chairman, Revolutionary Committee.
Liu Jui-chen, Responsible Person, Publicity Affairs.
T'ang Shih-hsiung, Responsible Person, Educational and Cultural Affairs.
Chang Hsin-t'ao, Responsibile Person, General Affairs.
Tour of embroidery exhibition, nursery, and workers' homes.
7:00 p.m.—Guests at Banquet at Peking Duck Restaurant hosted by the

*Asterisk indicates main briefer.

Chinese People's Institute of Foreign Affairs:
K'o Po-nien, Vice President, Chinese People's Institute of Foreign Affairs.
K'ang Tai-sha, CPIFA.
Fan Kuo-hsiang, CPIFA.
Cheng Wen-chen, CPIFA.
Ku Yi-jen, CPIFA.
Ku Ke-ping, CPIFA.
Yin Tso-chin, CPIFA.
Tang Wen-sheng (Nancy Tang), Deputy Director, America and Oceanian Department, Foreign Ministry.
Ting, Yuan-hung, Director, U.S. Desk, Foreign Ministry.
Chin Kuei-hua, Foreign Ministry.
Wang Li, Foreign Ministry.
Hu Feng-hsien, Foreign Ministry.
Wu Chang-kang, Member, Standing Committee, Foreign Affairs Section, National People's Congress.
Huang Yu-lin, Member, Standing Committee, Foreign Affairs Section, National People's Congress.
Thomas Gates, Chief, United States Liaison Office to the People's Republic of China.
David Dean, Deputy Chief, United States Liaison Office to the People's Republic of China.

Wednesday, July 28

3:45 a.m.—Earthquake.
7:30 a.m.—Breakfast in hotel.
11:00 a.m.—Shopping expedition to Friendship Store.
1:00 p.m.—Lunch at hotel.
4:00 p.m.—Meeting at hotel with Wang Hai-jung, Vice Foreign Minister.
6:00 p.m.—Reception given by Ambassador Thomas Gates at the United States Liaison Office:
K'o Po-nien, Vice President, Chinese People's Institute of Foreign Affairs.
Tang Wen-sheng (Nancy Tang), Deputy Director, American and Oceanian Department, Ministry of Foreign Affairs.
K'ang Tai-sha (f) Deputy Secretary-General, Chinese People's Institute of Foreign Affaris.
Wu Shang-kang, Leading Official, Foreign Affairs Group of the National People's Congress Standing Committee.
Ting Yuan-hung, Chief, U.S. Division, Ministry of Foreign Affairs.
Fan Kuo-hsiang, Deputy Divisional Chief, Chinese People's Institute of Foreign Affairs.
Wang Li, Staff Member, Ministry of Foreign Affairs.
Hu Feng-hsien, Staff Member, Ministry of Foreign Affairs.
Cheng Wen-chen, Staff Member, Chinese People's Institute of Foreign Affairs.
Ku Ke-ping (f), Staff Member, Chinese People's Institute of Foreign Affairs.
Ku Yi-jen (f), Staff Member, Chinese People's Institute of Foreign Affairs.
Yin Tso-chin, Staff Member, Chinese People's Institute of Foreign Affairs.
Chin Kui-hua, Staff Member, Ministry of Foreign Affairs.
Huang Yu-lin, Staff Member, Foreign Affairs Group, National People's Congress Standing Committee.
Photographer from Hsinhua News Agency.
Reporter from Hsinhua News Agency.
Mr. David Dean, Deputy Chief, USLO.
Mr. and Mrs. William W. Thomas Jr., Economic Counselor, USLO.
Mr. and Mrs. Gerald J. Levesque, Administrative Officer, USLO.
Mr. Thomas S. Brooks, Political Counselor, USLO.
Mr. and Mrs. Christopher H. Ballou, Political Officer, USLO.
Mr. and Mrs. Jerome C. Ogden, Consular Officer, USLO.
Mr. Koy L. Neeley, Economic/Commercial Officer, USLO.
Mr. and Mrs. Donald Keyser, Political Officer, USLO.
Mr. and Mrs. Richard Bock, Staff Assistant, USLO.
7:00 p.m.—Briefing by Ambassador Gates and USLO staff.
7:45 p.m.—Buffet Dinner. Overnight at USLO.

Thursday, July 29

9:00 a.m.—Breakfast at International Club.
11:00 a.m.—Visit to Summer Palace; Lunch at Summer Palace; Visit to Peking Zoo; Visit to Temple of Heaven; Return to hotel; pack.
7:30 p.m.—Train to Hsin Hsiang (Honan Province).

Friday, July 30

4:00 a.m.—Arrive at Hsin Hsiang.
4:21 a.m.—Briefing on Hsin Hsiang:
*Ma Ying-fu, Leading Member, Hsin Hsiang Foreign Affairs Bureau.
Wang Wen-huan, Leading Member, Reception Division of Hsin Hsiang Foreign Affairs Bureau.

Sunday, August 1

10:20 a.m.—Arrive at Nanking train station (Kiangsu Province), Met by:
Chao Tieh-nung, Responsible Person, Kiangsu Province Revolutionary Committee, Foreign Affairs Group.
Ch'en Jung-pao, Responsible Person, Kiangsu Province Revolutionary Committee, Foreign Affairs Group.
Huang Chi, Secretary, Kiangsu Province, Foreign Affairs Office.
Shen Yi-hung, Interpreter.
Yao, Ch'en-ch'i (f), Staff member, Foreign Affairs Office.
10:30 a.m.—Part of group to hotel; Part of group to Nanking Radio Factory, Met by:
*Huang Chien-chih, Chairman, Revolutionary Committee.
Hung Ting-hui (f), Deputy Secretary, Communist Youth League Office.
Tour of factory workshops.
1:00 p.m.—Lunch at hotel.
3:15 p.m.—Boat ride on the Nanking River.
4:00 p.m.—Tour of Nanking-Yangtze River Bridge, Met by:
Han Chih-yi, Chairman, Revolutionary Committee.
*Sün Tsui-chu (f), Guide.
5:00 p.m.—Car to Yangchow. Stop along the way at commune for refreshments.
7:00 p.m.—Arrive at Yangchow Guest House, Met by: *Yao Wei-ting, Leading Member, Municipal Revolutionary Committee, Foreign Affairs Group.
7:30 p.m.—Dinner at guest house.
8:30 p.m.—Briefing on Yangchow at guest house.

Monday, August 2

8:30 a.m.—Visit to Kiangsu Hydro Electric Projects, Met by:
*K'ung Fan-chi, Chief Engineer.
Mr. Ku, Chief technician.
10:00 a.m.—Visit to Shih Chiao Boat Locks, Met by:
Ku Kuang-lian, Responsible Person, Revolutionary Committee.
Ch'en Ch'ing-kuo, Responsible Person, Revolutionary Committee.
11:30 a.m.—Stop at commune on drive back to hotel to see rice transplanting.
12:30 p.m.—Lunch at hotel.
1:30 p.m.—Visit to Yangchow Laquerware Studio, Met by:
*Yang Nü-hsing, Chairman, Revolutionary Committee.
Mr. Chang, Member, Revolutionary Committee.
2:30 p.m.—Visit to Yangchow Jade Factory.
3:30 p.m.— Visit to Buddhist Temple honoring the Chinese monk who introduced Buddhism to Japan.
4:00 p.m.—Visit to Slender West Lake Park.
4:30 p.m.—Car back to Nanking.
7:00 p.m.—Dinner at hotel.
8:00 p.m.—Little Red Guard Performance at hotel.

Tuesday, August 3

8:00 a.m.—Visit to 179th People's Liberation Army Unit, Met by:
*Mr. Teng, Chief of Staff.
Sung Ting-yi, Director, General Division.
Tour of barracks, exhibition hall, and weapons demonstration.
11:00 a.m.—Visit to Sun Yat-sen Mausoleum.

12:30 p.m.—Lunch at hotel.
1:35 p.m.—Train to Wusih.
3:45 p.m.—Arrive at Wusih train station, Met by:
*Feng Hui-chun, Chief, Reception Section, Municipal Revolutionary Committee, Foreign Affairs Group.
Wei Tzu-hung, Interpreter.
Li Hua (f), Staff member, Reception Center.
Hsu Li-kung, Staff member, Reception Center.
7:00 p.m.—Dinner at hotel.
8:00 p.m.—Briefing on Wusih and scheduling session.

Wednesday, August 4

8:30 a.m.—Visit to Ho Le Commune, Met by:
*Liu Wei-p'ing, Responsible Person, Commune Revolutionary Committee.
*Ting Mo-sheng, Barefoot Doctor, Commune Hospital.
Tour of commune—fishery, commune hospital, brigade clinic.
Briefing—split into two groups on economics and rural health care.
12:30 p.m.—Lunch at hotel.
3:00 p.m.—Visit to Hui Shan Clay Figurine Factory, Met by:
*Feng Pao-ch'iang, Deputy Chairman, Revolutionary Committee.
Hsu Shou-chuan, Responsible Person, Revolutionary Committee.
Ch'en Kui-chen(f), Chairman, Trade Union Revolutionary Committee.
Tour of workshops.
5:00 p.m.—Visit to Wusih Park.
6:00 p.m.—Walk around city of Wusih.
7:00 p.m.—Dinner at Ying Pin Lou (Welcome Visitors) Restaurant.
8:30 p.m.—Swim at Li Yuan Hotel.

Thursday, August 5

9:00 a.m.—Delegation split into two groups—
Visit to Wusih #2 Silk Filiature Factory, Met by: *Chang Ho-chun, Vice Chairman, Revolutionary Committee; Li Yao-ch'ing, Technician; Hsiang Min-li, Staff member, Revolutionary Committee; Tour of workshops.
Visit to Kiangsu Provincial Institute for Prevention and Treatment of Schistosomiasis, Met by: *Hsiao Chung-wei, Institute Director; Dr. Yang; Dr. Chou; Dr. Wang; Tour of laboratories.
12:30 p.m.—Lunch at hotel.
2:30 p.m.—Boat ride on Lake Tia Hu.
4:00 p.m.—Train to Shanghai.

6:30 p.m.—Arrive at Shanghai train station, Met by:
Kung Wei-hsin, Responsible Person, Shanghai Municipal Revolutionary Committee, Foreign Affairs Office.
Hsieh Yun-ti(f), Responsible Person, Textile Union.
Chang Yung-chung, Interpreter, Foreign Language Institute.
Teng Ching-min, Interpreter, Harbor Administration.
Ch'en Ting-p'ing, Wang Ken-fa, Fu Chin-kun, Ho Hsiao-shan, and Sun Yü-chün are Staff members of Municipal Revolutionary Committee, Foreign Affairs Group.
8:15 p.m.—Dinner at Peace hotel.

Friday, August 6

Morning—Free (Part of the delegation visited Shanghai Museum).
1:00 p.m.—Lunch at hotel.
2:00 p.m.—Visit to Szu P'ing Residential Area, Met by:
*Hsu Kui-lü, Vice Chairman, Revolutionary Committee.
Han Fu-ch'ing, Responsible Person, Revolutionary Committee.
Wang T'ing-hua, Responsible Person, Revolutionary Committee.
Tour of nursery, plastic flower workshop, hospital.
6:00 p.m.—Dinner at hotel.
7:00 p.m.—Briefing on Domestic Trade at Shanghai #1 Department Store by *Pao Liang, Chairman, Revolutionary Committee Shanghai #1 Department Store.

Saturday, August 7

8:30 a.m.—Visit to Shanghai Industrial Exhibition.
10:00 a.m.—Visit to Shanghai Mansions for view of the city.
10:30 a.m.—Split into different groups for shopping expeditions.
12:30 p.m.—Lunch at hotel.
2:00 p.m.—Briefing at hotel on Economic Planning by *Li Kung-hao and Ch'ing Tzu-lung, Responsible Persons, Shanghai Municipal Revolutionary Committee, Planning and Statistics Group.
7:00 p.m.—Banquet at Ching Chiang Hotel, Hosted by: Wang Ch'eng-lung, Member, Standing Committee, Shanghai Municipal Revolutionary Committee.
Others present: Shanghai host party and Travelling staff.

Sunday, August 8

8:30 a.m.—Briefing at the hotel on Judicial System and Narcotics Control:
Pao Hsueh-yu, Shanghai Public Security Bureau.
Huang Shih, Shanghai Public Security Bureau.
Chu Kuang-ming, Shanghai Municipal High Court.
Chou Han-ch'ing, Shanghai Municipal High Court.
Lu Yuan-te, Nanking Road Street Committee.
Chai Yung-mei, Nanking Road Street Committee.
12:30 p.m.—Lunch at hotel.
1:30 p.m.—Visit to Shanghai Tool Factory, Met by:
*Wang Chung-to, Chairman, Revolutionary Committee.
Chang Liang-tung, Responsible Person, Revolutionary Committee Education Office.
Ch'en Tung-hsien, Staff member, Revolutionary Committee.
Ch'in Kuo-pao, Staff member, Revolutionary Committee.
6:00 p.m.—Dinner at Chez Louis.
7:15 p.m.—Musical Concert.

Monday, August 9

8:00 a.m.—Visit to Chia Ting County, Met by:
*Peng Su-ch'en, Responsible Person, Planning Section.
Mr. Ch'en, Responsible Person, Administrative Section.
Tour of machine factory, hospital, cement boat factory.
Briefing.
12:30 p.m.—Lunch at county headquarters.
1:00 p.m.—Discussion continued.
3:00 p.m.—Visit to Hsu Hui District Spare Time Physical Education School Tour of facilities: Tennis, Ping Pong, Swimming, Gymnastics, Wu Shu (Martial Arts) Performance.
7:15 p.m.—Farewell Banquet hosted by delegation at Ching Chiang Hotel, Guest list the same as August 7 banquet.

Tuesday, August 10

9:35 a.m.—Depart Shanghai Airport for Tokyo.

REPORT TO THE JOINT ECONOMIC COMMITTEE ON TRIP TO CHINA AS A MEMBER OF THE CONGRESSIONAL STAFF DELEGATION, JULY 26–AUGUST 10, 1976

By John R. Stark

China Diary

Monday, July 26—1 P.M.

Excitement mounts as we sight the coast of China from the JAL 707. We assembled yesterday in Tokyo, arriving by various routes, singly or in small groups. We are an assortment of Congressional staffers—some familiar faces and others hardly known.

But as soon as we spot the muddy estuary of the Yangtze River and the green shore beyond, with the city of Shanghai in the distance, the great adventure is on. We have the spirit of a team before a big game as Shanghai airport looms ahead.

The field is empty by Western standards—an Iranian jet, an Ethiopian airliner and several Chinese planes. Local airport personnel come out to greet us and guide us into the airport. Our official hosts they tell us, are in Peking.

The airport building, large and rectangular, is quieter and plainer than I expected. It is dominated by a huge enlargement of a Chairman Mao calligraph, encouraging the people of China to get on with the Revolution.

After the passport check, we have a glass of tea and chat briefly with three young airport attendants—two girls and a boy. They tell us that they were assigned to their jobs by the government and enjoy their work. We then reboard the plane for the 90 minute ride to Peking.

There, a more formal reception awaits us, as we are greeted by our six Chinese hosts. They will accompany us everywhere. Also present is David Dean, our veteran State Department China expert and Deputy Chief of Mission in Peking, and Don Keyser, our knowledgable, Chinese-speaking political officer.

Our six Chinese hosts are as varied as we. Madame K'ang the Deputy Secretary General of the Chinese Peoples Institute of Foreign Affairs, is the senior member of the reception committee. Mr. Fan serves as a Division Chief in the Peoples Institute of Foreign Affairs. He has travelled in Europe and is well-educated. Mr. Cheng and Mr. Chin are the best interpreters. Mr. Chin accompanied the Ping Pong team to the U.S. as press spokesman. Both he and Mr. Cheng have a lively sense of humor. Next is Madame Ku who serves as "den mother." Our creature comforts are her concern. Mr. Yin, the youngest host, appears to be responsible for logistics and security.

It soon becomes obvious that the Chinese—despite their ardent egalitarianism—believe in the importance of hierarchical rank. All

our hosts bear titles that parallel our own Civil Service—chiefs, deputy chiefs, professional staff members, etc. They have clearly managed to assign hierarchical ranking to our group. (Given the anarchical relations of U.S. Congressional Committees, we are not entirely clear how they have done this.) Pat Holt and Marian Czarnecki, as staff directors of Senate and House international committees, respectively, are first in rank.

Mike Pertschuk and I, the other two staff directors in the group are next; then Linda Kamm, General Counsel of the House Budget Committee and Bob Best, Senior Economist of the Senate Finance Committee. Other members of the group follow in some order of rank.

The ride from Peking Airport is a long one through the country; however, everywhere we look, large numbers of people are moving quietly and with dignity, usually on foot or bicycle. There are no private automobiles in China but plenty of "company cars," trucks, buses or make-shift motorized carts. By our standards, the avenues are chaotic—bicylces weave in and out, trucks honk their horns incessantly, pedestrians with carrying poles walk in the middle of the street. Yet somehow they manage without mishap and everyone appears calmly impervious to noise and danger.

We turn into Changan Avenue, a great, wide boulevard that cuts through the heart of official Peking and intersects the giant Tien an Men Square. We pass between the Forbidden City, the Palace Museum, and the great Hall of the People. Ahead looms our destination, the Peking Hotel—another huge monolith.

Mike Pertschuk and I will be roommates. Our room on the eighth floor has a fine view of the city. Unfortunately the air is smoggy, as a result of factory smoke, moisture and dust from the Siberian Plains. "Bad things come from the North—dust, cold, and invasions," our guide had told us, pointing toward Russia.

Immediately after our arrival at the hotel, we head for a meeting with our hosts to discuss our program. We enter a rectangular room and sit in a rectangular pattern. Tea and cigarettes are provided. Smoking is widespread in China. It is their only vice. Chairman Mao, a heavy smoker all his life, believes it stimulates the intellect.

Mr. K'o, Vice Chairman of the Peoples Institute of Foreign Affairs welcomes us. He cautions us not to expect too much. "China is a developing country. It is making progress, but has a long way to go." He interjects in English at this point, "Not many big bulldozers like America—must use shovels and human muscle." While saying this, he imitates a bulldozer with his hands.

That night, our group enjoyed a late dinner in the huge hotel dining room—rice and platters of shrimp, pork, chicken and omelet, followed by soup. Desserts are not common in China. Then up to the room to unpack and get ready for our first "working day."

Tuesday, July 27

We leave for Peking University and a meeting with members of faculty and two third-year students—a young man and woman. After high school, the young man went to work in the mines; the young woman worked in a factory. They were chosen by their fellow workers as candidates for advanced education and therefore admitted

to the University. (They were also given some kind of aptitude examination by the University.)

They emphasize that everyone is a member of the working class. Upper and lower class stratifications no longer exist in China. They tell us, "We intend to serve the people after graduation."

The meeting begins with an explanation of how education must be classless in nature. Under the present program the universities are engaged in efforts to eliminate the elitist, white-collar aura that surrounded higher education in China in the past. The government looks to the universities to take on the lead in eliminating this "elitism" and to bring about "correct decisions" to achieve true socialism.

The fallacies of recently deposed Premier Teng Chiao Ping, who replaced Chou En Lai in January and was dismissed in April, are cited. Ping is accused of "bourgeios, right-wing tendencies". One of our members asks, "How can you villify a man who has been one of your distinguished leaders for so many years and occupied high posts of great trust and responsibility?" We are told "Bourgeois deviationism is an ever-present danger. We must struggle vigilantly against it, even when it crops up in high places."

We ask if the increasingly political nature of academic training will hurt the quality of technical education so badly needed in a developing society like China. Their response is that "once a sound political basis is established, everything else follows." Attempts by members of our group to elicit differing views on this are unsuccessful.

Another question asked by a member of our group "Who are the middle class intellectuals that you are trying to eliminate? Where are they in this communist society?" They tell us that "it can be a state of mind—a desire to be a bureaucrat for self-aggrandizement and not to serve the people."

The discussion continues: "Graduates are expected to serve in the remoter developing regions. Universities are moving away from Ph.D. education toward more pragmatic training. It is emphasized continually that a Ph.D. must not be considered a status symbol.

In the early afternoon, we meet with a Street Committee from a section of Peking. Street Committees have a large responsibility for sanitation, good conduct, medical care, education, social services and morale. Committee members are highly dedicated and many are members of the Communist Party. Great emphasis is placed on improved services to the people, with consequent benefits to morale. No doubt, Street Committees are a very important element in maintaining discipline and promoting the socialization of cities.

We visit a clinic, quite plain and simple with very limited services. It apparently serves as an outpost for a system of larger clinics and hospitals. It really is more of a first aid and educational center. The middle-aged woman doctor in charge is impressive, with a strong compassionate manner.

Our next stop is a school where dramatic presentations by children 6 or 8 years old and patriotic songs and dances with strong political overtones are performed for us. "I want to serve in Chairman Mao's cavalry," the children sing.

We also visit several private homes where residents answer questions about budgets, family structure, medical care, etc. The average wage

is about 60 yuan a month ($30). Younger workers apparently are deemed more socialistically advanced than their elders and therefore are able to get along with less money: 30–40 yuan per month. However, rents and some basic food prices are very low. Rice is 3¢ per pound!

That night our hosts entertain us at a famous Peking Restaurant called "The Sick Duck." Mr. Cheng tells me, "They use every part of the duck except its quack." And indeed it is true! We eat duck foot appetizers, duck liver, duck soup, duck neck, roast duck and other delicacies—and all are delicious.

We exchange toasts to friendship to China and to America. Beer, wine or Mao Tai (a strong sorghum whiskey), depending on one's taste are served. It is a pleasant gathering and everyone leaves in amiable spirits.

Wednesday, July 28

Four A.M. A violent shaking of our room; the building creaks and groans like a ship in a heavy sea. Mike and I awake at the same time. Earthquake! Our first thought was to hope the plaster and beams don't start to fall. We decide to go downstairs. He gets his camera, I, my flashlight. How we found them in the pitch dark, I don't know.

Everyone in the hotel seems to be moving through the black corridors toward the stairwell. All the lights and the elevator are out. We reach the lobby which looks vast in the semi-light of pocket torches. Then the street. A weird calm sets in; there is no motion, hardly any noise.

Mr. Chen, our interpreter, who had been on the top floor of the hotel appears. He is reassuring, "The worst is over." So is Madame K'ang, completely unruffled by her walk down 16 flights of stairs.

By now, some emergency lights have been rigged and the dawn is beginning. An Indian in the exotic garb of Northern India chats in excellent Oxford English. We comment on the quiet dignity of the thousands of Chinese who are now moving along Changan Street. They are probably going to work. Buses pass by. Chinese are early risers, so this traffic is not abnormal.

By now we can see Pakistanis, Japanese, Africans, South Americans, all congregated in front of the hotel—an interesting tableau of human beings from all over the world—like Judgment Day.

Mr. Yin appears from home, worried about our comfort. Our group settles in on the steps. Don Keyser, the political officer produces a radio and picks up an announcement of a serious earthquake in the vicinity of Peking.

Rumors begin. The grapevine is at work. We hear that Tientsin was badly hit, that military people are beginning to appear in the streets, that Chairman Mao died of the shock, that our trip might be cancelled, that all normal business was off.

Hyde Murray, Jack Sullivan and I walk down to the Great Square in front of the Forbidden City, and sit with our backs to the Great Wall. As the dawn comes up, we can see thousands of Chinese quietly moving about or picking spots to sit down for a while. They appear calm and courteous and respond to our efforts to greet them in crude Mandarin. By 5 o'clock in the morning, the streets are full; we notice that many citizens of Peking are beginning to set up residence in the street—with plastic tarps and even some chairs.

(Later, when we moved around the city, we could see that this was being done everwhere, under the supervision of the Street Committees).

We are amazed that despite the severe quake, the hotel has made arrangements to provide us with breakfast at 7 a.m., in the main dining room. We even have cool beer which helps to cut the dust and ease our spirits. As we finish, there are new tremors and this time the American Congressional Working Personnel delegation is second only to the visiting Iranian track team in leaving the hotel.

Our friendly waiters rib us about this later. When some of the group are writing postcards in the lobby, they inquire if we are writing our last wills and testaments.

Morning meetings are cancelled and we are asked to wait on the first floor of the hotel. Some of us return to our rooms for clothing. There seems to be no serious damage, but I see several large cracks in walls and ceilings. A short while later we are asked not to go back up to our rooms.

Meanwhile, our hosts are particularly attentive and concerned about our well-being. They arrange for us to visit the Friendship Store, which opens in one hour. The Friendship Store is roughly equivalent to a "duty free" shop. However, only visitors may shop there and the items sold are somewhat higher priced.

At midday they tell us another serious quake is expected and that the Chinese people have been asked to remain outside of their homes for an indefinite period. Businesses will be shut down for the day. People are setting up temporary residences on sidewalks and in parks. It has begun to rain. It is impressive how incredibly calm the people are as they go about protecting their little encampments against the weather.

At mid-afternoon we have a meeting at the hotel with the Vice Minister for Foreign Affairs, Madame Wang Hi Jung. She is accompanied by Mr. K'o, who is Vice President of the Foreign Affairs Institute and our principle host along with other aides. "I am sorry you were disturbed by the earthquake. Were you afraid? asks Madame Wang. "Not now," we reply, "but we were nervous early this morning." "Well, we are still on this earth and that is the important thing," she tells us through her interpreter. She explains that there was a severe earthquake (it was 8.3 on the Richter Scale) centered in Tangshan—with heavy damage. However the government was able to cope effectively with it. The subject changes to a discussion on foreign policy. Madame Wang warns us that "the Russian polar bear will bite you if you are not careful. You are his number one enemy. We come after you on his list." Her comment reminds me of the Chinese tendency to spice their conversation with metaphors as I noticed previously.

Wednesday Evening, July 28

After we arrive at the U.S. legislation, Ambassador Gates, our competent and considerate host, tells us that the quake has caused serious disruption to the east of Peking, There is widespread, though not severe damage in Peking, and many people have been asked to stay in streets since another serious quake is expected. The discussion then turns to Chinese political matters. The impending death of Mao

accentuates tensions about succession and future policies. Consequently emphasis is concentrated on internal politics these days. At this point, there are more tremors which chase us out for fifteen minutes.

We enjoy a buffet supper, and then make arrangements to sleep on the Legation floors, along with all embassy families living in upstairs apartments. Ambassador Gates and his impressive staff somehow manage to produce a formidable number of mattresses, cushions and blankets. Mothers and children are bedded in various rooms. Our group occupies the reception and dining rooms. We sleep in our clothes. The next morning, we walk over to the International Club (shared mutually by the embassies in Peking's international enclave) for scrambled eggs, toast and coffee.

Thursday, July 29

Our hosts arrive about 10 a.m. and advise us that our appointments today are cancelled because of heavy earthquake damage—primarily in Tangshan, but also in Tientsin and to a lesser extent in Peking. Arrangements have been made for us to do some sightseeing and then leave for the south by late afternoon train.

We see the Summer Palace, visit the Zoo, and next on to the Temple of Heaven where the emperors once consecrated the harvests. It is a beautiful building whose turquoise dome is a dominant landmark in the city.

Then we head some 600 miles southwest to Honan Province to visit an agricultural commune and reclamation projects. Our first stop is to be the city of Hsin Hsiang. Our group is deposited in front of the Peking train station at 5 p.m.

Our train is European in style and although it is hot and humid, the windows are open and we have brought beer so we are not too uncomfortable. Tap water is forbidden and the boiled water is often still to warm to drink.

The idea of going further into the Chinese countryside is exciting, but we are worried about the fierce heat that prevails in the area. We arrive in Hsin Tsiang at 4 a.m. and are conducted by minibus to the visitors' center—a simple two-story hostelry. They assemble us in the meeting room at 4:20 a.m. for a briefing by the Chief of the Revolutionary Committee.

Friday, July 30

After unpacking and bathing, we assemble for a 7 o'clock breakfast and then leave for a large agricultural commune called Chi-Li-Ying where we have two briefing sessions and visit a repair shop, storage areas, and view cotton farming operations.

Then back to the meeting room. The heat has been incredible, reportedly 105 degrees. Watermelon arrives; along with cool tea and a delicious lunch with beer. They also supply us with damp towels from time to time to wipe our overheated brows.

Next we view a bayonet drill and sharpshooting by the People's Militia, which includes a large percentage of women.

We visit workers' homes and talk to brigade and production team leaders about health care, women's rights and other issues.

We are impressed by the large masses of people always on the move. And impressed by the land! Every inch is cultivated and the quality is rich in the July sun. One billion people live on less than 15 percent of the land. Most of the work is done by hand. The machines used are simple and old-fashioned. Their agriculture is still technologically primitive, yet production is improving and, most importantly, fear of starvation has dissipated. From reports, no one goes hungry, although the diet is quite simple.

Tonight our frisbie attracts a number of the hotel staff, and some participate. They get into the spirit quickly. The Chinese obviously love games—ping pong and badminton are popular—and I predict frisbies could have a great future in China. "But remember, winning is secondary," our informants tell us, "friendship is more important."

We inspect an impressive water conservation and irrigation area (called the Hung Chi Aqueduct) that uses underground springs, heavy pumps and an aqueduct along with a network of ponds and ditches.

Fertile green fields are visible as far as the eye can see—mainly planted with grains and cotton with some fruit trees.

We take a drive up into the Tai Tung Mountains—very beautiful. It reminds me of West Virginia—but much more intensively cultivated. Ahead of us is a long tunnel called "Face the Sun Tunnel", which connects Honan Province and Sensi Province. Our hosts from Hui County are very proud of their progress and particularly that the tunnel was built by local talent.

The tunnel is a good example of "indigenous efforts." A local worker designed it and it was built largely with local labor, "many of whom took time off from the farm or factory," our interpreters tell us.

This kind of provincial involvement is a recurrent theme. Chairman Mao has stressed the importance of old fashioned practical "know-how" as compared with "outside" university-gained book learning. Thus, doctors use modern Western methods plus traditional Chinese methods like acupunture and herbs. Mao termed it "walking on two legs"—using new, usually Western methods side by side with ancient proven techniques.

Our day includes lively discussion with our hosts on subjects of Marxism, socialization and re-education. Their basic reasoning is essentially as follows:

For centuries the intellectuals formed an upper class, while workers occupied a low estate. The upper class had an "elitist" self-perception. Hence the need to drastically revise social values and particularly the image of education to remove this elitism from society.

In a socialist framework, work is noble—particularly agricultural work. All white collar workers must help with the harvest every year and must serve for prolonged periods out at the farm, factory or the mines. During this time they are indoctrinated with the new socialist view and the new work ethic. The elevation of manual labor to a position of prominence is not an entirely alien concept in the American work ethic. However the intensity with which the Chinese espouse it startles the observer. Their strong dislike of Russian "bourgeois" proclivities is never subtle. "The bureaucrat conveys an image of a self-serving would-be elitist who will exploit and perpetuate his class as an overlord group."

Consequently, the bureaucrat (and intellectual) must be constantly reminded of his role as servant of the people. By periodically returning to the tasks of the people, he can avoid deviationist, right-wing temptations.

On the way back, Mr. Fan tells us a favorite story of Chairman Mao's about the "foolish old man" who tried with great effort and slow progress to build the bridge over the river we had just crossed. When ridiculed as stupid by self-styled smart people, he calmly said that he would work at it as long as he was able and as hard as he could and that subsequent generations would see the value of his efforts and complete the task.

"Socialist objectives and the tenacity of the masses will enable China to go forward," Fan tells us. During our trip we are able to perceive the pervasive role of Mao in Chinese society and his clever use of allegory and metaphor to win popular devotion.

Coming back from the mountains, we stop at a beautiful resort called "A Thousand Springs." It has been a resort for 1,500 years. Since 1949, however, it has been exclusively for the people rather than the aristocracy, we are told with great pride.

Saturday, July 31

We lunch at the guest house and then board the train for the first leg of our trip to Nanking. Again, it is very hot.

We cross the Yellow River—a huge, wide expanse of muddy water carrying the soil of China into the ocean—and stop for a layover at Cheng Chow. There, we proceed by car to the tourist hotel for dinner.

We are led to the main reception room where they seat us in the rectangular pattern that we have become accustomed to. Members of the Provincial Foreign Affairs Office are on hand to greet us. Our hosts are congenial and the briefing is good. Afterwards, a few of us decide to walk around the nearby residential area. Everywhere people are friendly and children follow us—especially when Jan Berris talks to them in Chinese.

There are lots of slogans written on the walls, evidently protesting the policies of local leaders. Does it indicate dissatisfaction of industrial workers in this lively city? Since it is much more modern than other cities we've seen so far, we are curious about the nature of the protest.

After supper there is still some time remaining because of the delay in the departure of the Nanking train. Some of our members bring out the frisbie. A lively crowd of Chinese from Macao join us. Many of them know English as well as Cantonese. The Macao visitors are much more voluble and better dressed than the people of Cheng Chao.

What do they think of us, I wonder? The Chinese officials accompanying us seem perplexed at our vivacity. But some of the hotel staff get into the action along with one of our interpreters. Everyone has a good time until the frisbie goes into the pool. By the time it is fished out we have to leave for the train.

Sunday, August 1–Monday, August 2

Orange soda and fried eggs are served for breakfast. We arrive in Nanking at 10:00 a.m. The name means "kingdom of the South." We have our usual briefing and then go to the hotel.

The hotel is a pleasant, country estate complex—formerly the home of the British Consul. Even though the heat is stifling and there is no airconditioning in the bedrooms, there is a breeze and a fan. Happily the dining room is airconditioned so our good spirits return at lunch.

After lunch at Nanking, overnight bags are packed for a car trip to Yang Chow—a smaller town about 50 miles from Nanking. The first stop is a boat ride on the wide Yangtze River and under the famous Yangtze River Bridge. This long expanse is a symbolic accomplishment of the Chinese. It was difficult to build because of the rapid current and great width of the river. It had been a joint project with the Russians but because the Russians pulled out, the Chinese completed it on their own. Many different postcards and even lacquer screens, worth thousands of dollars, depict the glory of this bridge. We stop to view it, then return to our cars for the trip to Yang Chow.

Yang Chow is a pleasant town with a population of 250,000. The Emperor used to spend a night here on his way down the grand canal from Peking (Northern Kingdom) to Nanking (Southern Kingdom).

We are to go to a large flood control center, the Kiangsu Hydro Electric Project. This center controls the water flows between the lower Yangtze, Huai and Yellow Rivers—a vast expanse. It is intersected by the grand canal. Through a series of reclamation projects and sea walls, the Chinese have greatly reduced the flood and drought menace and brought the region under control. The land is incredibly fertile—brilliant shades of green, and not a foot unplanted.

We visit the Shihchiao Boat Dock and survey some of the canal traffic and the countryside.

Two craft factories are on our schedule this afternoon. The first one, the Yang Chow Lacquer Ware Studio makes various kinds of lacquer work, much of it very expensive. This is an export item for China as it needs foreign exchange for imports of fertilizer, food and other necessities. Our hosts emphasized that the revival of this plant after 1949 created a thriving industry and was very good for this formerly very poor area.

The second factory, the Yang Chow Jade Carving Studio, produces jade carvings. It is fascinating to see the artistry of the workers, who also make figurines.

Again, our visit is interspersed with discussion concerning the Cultural Revolution of 1966 and its importance in moving against "bureaucratic right wing tendencies."

Our hosts are convinced that this ruined the Soviet Union as a socialist nation. "Importance of proper revolutionary attitudes," is like a theme song, echoing through many discussions.

We stop at a beautiful park with an old Buddhist temple, lake, willows, lotus and haze, called "Slender West Lake."

For our return to Nanking tonight, our hosts have arranged an after-dinner dramatic performance by teenage Red Guards who have come to our hotel for the presentation. This act is very patriotic, well-schooled, and highly stylized, in the same manner as the other performances we have witnessed.

Tuesday, August 3

In response to the interest expressed by some members of our group, a visit has been arranged to the People's Liberation Army, Division

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179, Infantry. We are greeted by the Chief of Staff and the Division Director and taken to a meeting room for a briefing on the Division. They take us to a small museum depicting the history of the division which had a role in the war against the Japanese, against the Kuomintang and against the bandits in the West. It is mentioned briefly that they also fought in the Korean War.

We proceed to an artillery range where we sip cider, as groups of participants hasten out, chanting patriotic slogans. Weapons include rifles, machine guns, recoilless rifles, grenade launchers, howitzers and rockets. The marksmanship is impressive, the atmosphere quite relaxed, and we are allowed to take pictures. Some of the officers play ping pong briefly with a few of our members.

We go back to the hotel for lunch, some brief sightseeing, including the SunYatsen monument, and then to the train for the trip to the town of Wu Shi. This city once was famous for its tin mines but they are now exhausted. Hence the name, which means, "without tin." How they love to play with names and slogans! Written language is not phonetic, so the ideographs add an extra dimension.

The train ride takes three hours and it is fiercely hot. The thermometer in the train now reads 97 degrees although there is a breeze.

Wu Shi is near a large, beautiful lake and our hotel is on a hill overlooking it. In cooler weather, it must be lovely, but now, it is 95 degrees in my room at midnight.

Wednesday, August 4

We will visit a commune today which operates a number of enterprises, including a substantial fish production facility. They also farm and produce crafts. The hospital is modest but accommodating with an outpatient clinic.

The commune comprises 82 production teams and 4,534 families (15,726 population.) There are 7,000 able hands available. There is substantial acreage planted with grain, vegetables, as well as orchards (apples, peaches, and pears) and a large area of fish ponds. They also run a dairy farm and produce cultured pearls and some silk.

The head of the revolutionary committee that runs the commune gives a very clear picture of activities and finances, through an interpreter.

"The total value of the commune's products last year was 4.38 million yuan. About 26 percent of this is applied to cost of goods sold. Another 1½ percent goes for taxes on land, 10 percent for new machinery, 3 percent for public welfare, 0.5 percent for emergency reserves. The rest remains for distribution among the members.

"The commune is required to meet production goals set by the municipality, which is the sole purchaser of its products. Prices and quotas are set by negotiation," our host informs us.

"All affected parties get in on the act," he adds. Three percent of agricultural production remains in the commune and 97 percent is sold to the municipality. Production above the quota commands a higher price. The commune runs primarily on a cash basis; only 10 percent of distribution is in-kind, that is, food and other goods. There has been a substantial increase in production each year.

Next we talk to a barefoot doctor from the hospital. Doctors begin careers as paramedics and in some cases resume periodic hospital training which can lead toward full certification.

Thursday, August 5

We visit a silk factory in Wu Shi; again, it is very hot. We watch the complete process from cocoons to finished product. The assistant manager stresses the great improvement in production since the revolution and emphasizes the growing importance of the utilization of worker initiative and "indigenous methods."

This afternoon, we take a boat ride on the lake and then dine at a restaurant well patronized by local townspeople. It was a pleasant experience. The restaurant patrons were relaxed and friendly and the crowds in the street were politely curious about us. Later we are taken to another resort which appears to be closed to swim in a pool. Our hosts have been consistently considerate of our comfort.

We arrive in Shanghai at 7:00 p.m. after a hot ride through brilliant lush fields. We are met by representatives of the Shanghai Revolutionary Committee, the governing council for the city. We are taken to the Peace Hotel (which used to be the famous old Cathay, located on the Bund, Shanghai's famous parklined water-front strand.).

The hotel is air-conditioned, which is especially appreciated after the relentless heat of Wu Shi and Nanking. We have dinner on the eighth floor, looking out over the harbor which is full of all kinds of vessels from old sail-driven junks, to large modern ocean liners.

Friday, August 6

Next morning, August 6, we are free to wander in the city. Several of us head down the famous Nanking Road, browsing in department stores, book stores, luggage shops, art stores, and druggist shops . . . it must be one of the liveliest shopping areas in the communist world.

After lunch, we visit a relatively new housing project, built on a reclaimed swamp. We are met by a group of functionaries, including representatives of the revolutionary committee to discuss various aspects of life—food, health, education, etc. The project is large—approximately 8,000 children attend school.

We visit the hospital, clinics, and view a dramatic exhibition by the school children. The housewives in the housing project have developed cottage-type industries, making light bulbs, clothing, etc., which they sell to earn additional income. There are 1,000 retired people. Rent in the project is 3–5 yuan per month.

I visited one retired woman, very pleasant and poised. The apartment is small and sparsely furnished by our standards, but clean and airy. Older people help take care of children and perform social services. Her husband is working in construction in the Western Provinces. (Women retire earlier than men, so they may assist in the care of grandchildren.) He earns 1,000 yuan a month, which is a high salary.

(I take some polaroid shots of the people. They are intrigued by the camera and pleased when I give them a photo.)

This is a lively, positive and productive neighborhood. The Chinese admit that their housing is poor and antiquated but they are trying to improve it. As we walk around on these hot summer nights, it is clear that many dwellings are cramped and very overcrowded. But the Chinese want to show us that they are making progress. Again one sees that everyone who is able, works; their Constitution provides that he who eats must work.

Friday Evening, August 6

We visit Shanghai Number One Department Store. It is an impressive four story building with displays that are quite attractive. There is a variety of clothing, medicines, bicycles, sewing machines, jewelry and a large assortment of arts and craft products among other items. The store is quite crowded. Some local visitors are probably browsing which is a recreational pastime in China as in other countries.

We proceed to a meeting room, and are served orange soda instead of tea during our discussion. Our principal informant is one of the top managers, apparently "Number Two." (The Chinese have a penchant for numbering and ranking people, buildings, etc.) His salary is about $500 a year, although he probably also enjoys some perquisites. He and some of our other hosts are impressive executives—well-informed, articulate, intelligent and realistic.

Like others, he tells us how much better things are now than before the revolution. He emphasizes service to the people and says that the store management elicits ideas from customers and employees. He cites examples of improvement brought about through such suggestions as a special all night section and in-house banking facilities.

The store occupies 7,000 square meters and is open from 8:00 a.m. to 9:00 p.m. Approximately 100,000 customers pass through daily with more on Sunday. The store employs 1,200 staff persons. Our informant explains that the store is under the jurisdiction of the Ministry of Commerce. (There is a vertical organization of the functional responsibilities of government. Thus, the National Ministry of Commerce is matched by provincial and municipal counterparts).

Purchasing is handled either by the general planning mechanism, by the municipal purchasing department, or, in the case of smaller shops, by special public corporations. According to our hosts, public corporations which perform specific functions, such as purchasing retail goods, are quite prevalent.

The store prepares an annual plan which is reviewed in connection with broader municipal and regional plans. These naturally have to be revised periodically. Prices are centrally fixed. Surveys are conducted through visits to communes and similar groups to learn about population preferences. Some products are subsidized to permit lower prices, such as rice. Surprisingly, TV is subsidized. It is still beyond the price range of individuals or families and therefore is usually purchased by groups, such as production teams. Other goods are priced above cost. The annual sales of the store amount to 134 million yuan (about $67 million, per year). Of this, 2 percent is profit.

Consumer priority items are bicycles, sewing machines, wrist watches and now, cameras. The sales of these items have been rising sharply and will, our informant believes, continue to rise. I gain the impression that there is a high consumer demand for more and better goods.

Saturday, August 7

We hold a discussion of the judicial system in a meeting room on the top floor of our hotel. Our visitors, including our hosts, are two judges (one criminal, one civil) and two law enforcement officials concerned mainly with narcotics.

There is no contract law in China. The only civil law is family law and domestic relations. All other non-criminal problems that might be justicatory under civil law in our country are matters for settlement by neighborhood committees or the political hierarchy.

That afternoon we meet with Mr. Lee and Mr. Ching from the Shanghai Planning Committee. The session covers considerable scope but I feel that the answers are somewhat rhetorical and give us little opportunity for realistic insights into planning difficulties and the conflicting options facing decision makers.

We tell our hosts we had hoped to meet with National Planning officials in Peking but our foreshortened stay prevented it. Our hosts inform us that as the largest municipality, operating with considerable scope, the Shanghai municipal planners could provide an adequate picture of municipal planning. I had hoped that they would provide us with more information about their planning problems as well as information on possible changes. Are they delaying somewhat the execution of their new five-year plan? Have they lowered their expectations for petroleum developments? How much has the world recession of 1975 affected them? These questions remain unanswered.

Among the issues that were discussed, the following points were made:

(1) There is substantial interplay between national, regional, municipal and communal plans and the Communist Party. Through its committee structure, the final important decisions are made by the Party.

(2) Shanghai as the most developed industrial area is an exporter—both within and outside China. Only 15 percent of its production remains in the region. We wondered how much dissatisfaction this causes among workers and consumers?

(3) Individual enterprises provide their own capital construction budgets as part of the Chinese emphasis on self-reliance. All units are strongly encouraged to supply as much of their growth capital as possible.

(4) China intends to follow the new Five Year Plan and the longer range plan to achieve "front rank" status among world economies by the turn of century. This seems to indicate that there is no departure from their earlier program.

(5) There are production taxes (value added?) amounting to 5 percent placed on industrial products, and 10 percent placed on consumer goods. Collective enterprises pay an income tax fee. Estimates are that one-third of the State income is derived from taxes and the other two-thirds is derived from profits in the sales of goods and services.

(6) Priorities are: First, agricultural production; light industry, second; and heavy industry, third. Strong emphasis is also placed on electric power and communication. These priorities are directives from Mao.

That evening a banquet given for us by our hosts is held at the Ching Chiang Hotel where Nixon signed the Shanghai communique.

Our host for the evening is Wang Chung Lung, a leading member of the Shanghai Revolutionary Committee, which is the governing council of this huge city. He is an intense, vital, cordial man who has visited the U.S. as one of a group of journalists. Our other host is Kung-Wei Hsis, of the Foreign Affairs Office of the Shanghai Revolutionary Committee.

He is called "responsible person", an expression used to designate persons in charge. He is very attentive and serious. We are dispersed around the tables with hosts and interpreters between us. Official toasts are made to friendship between our respective peoples; they insist on serving us from the many delicious dishes placed before us. Drinks include beer, sweet wine and the strong sorghum whiskey called "Mao Tai," which fortunately is served in tiny cups.

Sunday, August 8

On Sunday morning we are taken to the Shanghai trade center to see an industrial exhibit. It includes machine tools, trucks, tractors, and a variety of consumer luxuries (for export) including a piano, silks, bicycles, sewing machines and medical equipment. Most interesting to me are tiny solar cells, laser devices used for surgery and a film showing an abdominal operation using acupuncture as an anesthetic. Two needles in the shoulder were apparently the only devices! The patient seemed comfortable and able to converse with the doctor.

We take an afternoon visit to the Shanghai machine tool factory. The plant is quite old and is not operating at full capacity, perhaps because it is Sunday. The wage scale is between 30–125 yuan per month. Wages seem a little higher here.

We also visit a July 21 college. This is an example of an on-the-job training school where engineering and other technical skills are taught. It conforms to the new emphasis on pragmatism and anti-elitism in education. "Education must be combined with production," the Chinese philosophy states.

Sunday evening is our night on the town and we arrange to have dinner at Chez Louis—a "continental restaurant." We have an upstairs room looking out on tree-lined streets. We have a choice of sole meuniere or filet mignon and red or white Chinese wine. The wine is dry—not quite like French wine. The Chinese prefer very sweet wines, and they seem to have different taste in dry wines. We soundly applaud the cook and his staff as they emerge from the kitchen beaming and bowing. Relaxed spirits prevail.

Monday, August 9

We awake to our last full day in China. We visit Gai Ding County which is about 20 miles northeast of Shanghai. It is a nice ride out; the weather is a little cooler. The fields are lush. Rice harvesting is underway so there are hundreds of people working in the fields, mostly wearing broad-brimmed hats.

At the county headquarters, we are greeted by representatives of the Revolutionary Committee. We are briefed on the size, nature, etc. of the county.

We visit the hospital and the adjoining clinic—both are very crowded with people of all ages. They handle 480,000 out-patients per year. The county operates three hospitals which serve a system of clinics. (This just about equals the county population of roughly half a million.)

There is some discussion of the organization; the county covers four townships and 19 communes. One of their plants produces cement barges for their extensive canal system—mostly by hand labor. This is one of their numerous enterprises and agricultural activities. They make their own fertilizer (in line with policy of self-reliance).

We have a delightful lunch with our hosts, further discussion, and then leave for the Hsu Hiu Spare Time Physical Education School, where young people learn tennis, basketball, ping pong, soccer and other sports under supervision. There is some interplay on tennis courts between teen-age Chinese and our group.

Our group is to give the banquet for our hosts a the same hotel where they hosted us two nights before. One of our hosts, sitting to my right, is obviously pleased when I tell him I remember the Far East in the late 1930's and the less fortunate role that China had in those days. "We are glad to see China 'standing up,' to use Chairman Mao's words," I say. He insists that I return someday. I hope I can.

Tuesday, August 10

We are up early to do last minute packing and have breakfast on the eighth floor of the Peace Hotel. We have one last view of the colorful harbor and are off to the airport in our flotilla of cars. Our hosts remain with us until we leave, chatting comfortably about things in general. Then we walk out to the plane—all six interpreters come out to wave to us—we wave back.

As our plane takes off to return us to the United States, I think of China and all that we have seen. The Chinese have been impeccable in their hospitality. The China they have shown us is a China that is looking ahead. It is a China that is making progress; growing, slowly improving its agricultural productivity and building its industry. Their spartan and work-oriented life style is structured to be able to cope with the inescapable imperative of feeding 1 billion people daily. I hope someday this formidable responsibility will not be quite so pressing so that they may indulge in more of the pleasure in living that they obviously possess. Perhaps then "walking on two legs" will mean that their highly-structured, exacting way of life will be able to provide more room for the imagination, artistry and laughter that is so much a part of their nature.

Banquet hosting U.S. Congressional Delegation upon arrival in Peking.

Yangtze River Bridge at Nanking.

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